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POVERTY AND INCOME IN 2011:
A LOOK AT THE NEW CENSUS DATA AND WHAT THE NUMBERS MEAN

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P R O C E E D I N G S

MR. HASKINS: Welcome to Brookings. My name is Ron Haskins. I'm a Senior Fellow here and along with Belle Sawhill, I run a group here called the Center on Children and Families. Welcome today. This is our 11th annual event on poverty. We've been in this room eleven times, and we've seen lots of different results. Sometimes we've been really happy and things looked really good -- sometimes, several years in a row. This time I would call it kind of neutral, and we'll get into that more, of course.

So thank you for coming. We have a terrific set of talkers today, public intellectuals and scholars and folks who in the old days gave away money. So it should be quite an interesting panel.

Here's how we're going to proceed. First, I'm going to give a brief set of comments, maybe five minutes about the results, as vanilla as I can possibly make them. Then we're going to have two keynote talks, one by Rich Burkhauser of Cornell and one by Ralph Smith of Casey. Then we're going to have a panel of distinguished experts to talk about what the numbers mean, and I'm going to sit and ask them some questions after they make a brief opening statement. Then we're going to give the audience a chance to ask questions, and we'll be done by 4:00.

So my goal here is very simple. All I want to do is begin with some common understanding of what the numbers show. So the one that's the most talked about and probably the one that you're the most interested in is child poverty. The good thing to say about child poverty is it didn't increase, so that's a good thing compared to recent years when we really have had a lot of trouble with child poverty. But the poverty number is still very high. If you're determined to be negative about this, the number is still very high. There have only been two years since the mid '60s that are higher than the poverty rate was last year and this year. So poverty is still a problem, but if you want to be optimistic, it's better for both children's poverty and poverty for all people.

I always want to emphasize the big differences in poverty rates between kids who live with both of their parents, their married parents, and kids who live in a female-headed family. These are huge differences and in the past, even now to some extent, it's one of the main causes of poverty and one of the reasons we have so much trouble fighting poverty because the number of kids in female-headed families -- where they are four or five times more likely to be poor -- keeps increasing and increasing and increasing. So that is a very important thing to keep in mind.

Median income also is not completely a bad story. Median income is not a good story, but this is, I think, what some economists might predict that income is going down and then it's going to level off and then it's going to go up. And so maybe this is leveling off. It did continue to go down for some groups, but overall income is not a good story, but not a horrible story.

I'd also like to emphasize that this is last year's data. We have one set of data for this year. But I just want to emphasize something that Rich Burkhauser will talk about quite a bit and maybe some of the other panelists as well, and that is that the picture of poverty that you get from the Census Bureau official poverty rate is flawed in many ways as everybody knows, and that's why we have a new measure. And by the way, that measure will be out on November 13. So the Census Bureau is going to do what it did last year, and it's going to publish the supplemental poverty measure again and they'll do that on November 13. And that will show what this chart shows. And as you can see if you look at the mean, if you include a whole set of government benefits, it doesn't have much effect on income. But if you look at the second quintile -- so this would be in the case of single moms, it would be roughly between $10,000 and $20,000 income and then the bottom quintile under $20,000. The Sado line is what they get more or less in the state or nature without any government benefits. But if you add the government benefits, their income goes up quite a bit, and this is a very important thing, especially in this town because we spend a lot of money on means-tested programs. My estimate is we spend at least a trillion dollars a year if you count the state dollars and the federal dollars on means-tested programs. And they are more or less completely left out of the Census Bureau numbers, so that's a very important story, and the Census Bureau will amend that somewhat on November 13. And then here this is the same thing. This is -- it will give you a direct measure of how much government programs reduce poverty. These are calculations done by Richard Bavier. We can update these when we have a little more time. So the official poverty rate of 41.8 percent among kids in female-headed families, but when you expand the definition of income, it goes all the way down to 29 percent. And this does not include any health benefits, and we're talking $825 billion worth of benefits that are left out of this. So even this number is not complete, and the Census Bureau number will be roughly comparable. You'll see it when the SPM is published next month.

The insurance story is also not bad. We've had some rough years in the past with insurance, especially because private insurers, companies, and others have been getting out of the business. And this year it was not so bad. In fact, it actually increased a little bit. I don't think it's a significant increase, but it increased a little bit, and that's for all people and for children. I also think it's notable that we cover 90 percent of children. My understanding is -- I've talked to many people about this -- roughly speaking any child who lives in a family under 200 percent of poverty is covered by Medicaid and they're eligible for it. It doesn't mean they get it, but they're eligible for it. So we do have lots of government health coverages.

So that's a very quick overview of the Census Bureau data. Now we'll have a chance to get into it in more detail, maybe in some cases more detail than you want. But nonetheless, we'll start with Rich Burkhauser who's a Professor at Cornell. He's the Sarah Gibson Blanding Professor of Policy Analysis. I think I'm going to go to a university some day so I can have a title like that. I'd be the Mae West Chair in Public Morality I think is what I'd like to be. Rich is an economist. He's well known for his research and writing on the effects of disability programs, which we considered in this room a couple of months ago. Unfortunately, Rich was in Australia and couldn't come, but he wrote a very interesting book, controversial. And similarly, his data on income is very controversial because he includes all the benefits, even more than the Census Bureau does, and does it in a very elaborate and sophisticated way. He published and refereed economic journals, so I think it's the truth. And so now to get the real truth, Rich Burkhauser.

MR. BURKHAUSER: So what I'm going to do is -- there are three sorts of bottom line social success indicators that come out of the March CPS data. One is on median income, one is on poverty, and one is on health care take-up. I'm going to focus really on the median income and then on poverty in my talk.

So what I thought I would do was to give you a little bit better sense of the history of the numbers that we're looking at here. So this is real median household income in the United States, total population from 1967 to 2011. And what we see is real median income in the United States has certainly increased since 1967, but in fits and starts mainly because we have business cycles. So what you see here are peaks and troughs of business cycles and the shaded areas are the NBER official recession years that show at least or begin with a starting of real income, real GDP falling for three quarters in a row, and then out until that stops happening.

So what we observe is that in red is the decline in real median income over the business cycle of -- from the peak of income in 2007 to the start of the recession that went on until June of 2009. Now historically, it's the case that median income continues to fall a year or so after the ending of the official recession, and this has been no exception. What's been surprising, however, about this recession versus the others that go back through 1967 is that the fall in real median income in the first year and a half after the end of the Great Recession was actually larger than in any other year on record. And the good news about this year is that the bad news isn't quite so bad. So rather than a 2.3 percent decline in real median income, which is what happened between 2009 and 2010, between 2010 and 2011 real median income fell but it only fell by 1.5 percent. Nonetheless, that's a considerable amount of decline in a year and a half out or two and a half years now out from the period of recovery.

So what I want to do is to show you now what the Census Bureau didn't show and is still not fully understood for 2011. But I think that if you look at what's been happening for previous years, my sense is that the same sort of thing happened with regard to this year. So what I'm going to do now is continue to look at that red line. That's the same red line that looks at real median household income, and this is unadjusted for household size. This is straight from the Census Bureau. And what I've done is for the years up through 2010, I've given you two other numbers, which are subcategories of that pre-tax, post-transfer, income. So what we have in the official documentation is not disposable income, that is income that you can spend, but rather your pre-tax income, the sum of all private sources of income from the marketplace -- work and rents and dividends and all that sort of stuff -- plus government in-cash transfers. And when you go and look at pre-tax, pre-transfer income, that's actually market income. And what you're really seeing when you look at that blue is the major effect on private market income of the Great Recession. So you see that the drop in real market income is much more precipitous between 2007 and 2010 than you would get from looking at the numbers in red that include government transfers. In other words, government transfers mitigated the decline in the income of median income people, and that's the good news. But in fact, the news is -- so for 2011, what we've had is a drop of $777 in that red. What we don't know is how much median pre-tax, pre-transfer, income dropped. And the Census Bureau hasn't told us this, but we have some clues about that. What we know is good news now. In 2011 there was an increase in employment of about 900,000 jobs, but more importantly, there was an increase in full-time, full-year, jobs of 2.7 million. So what that says is we're beginning finally to see recovery in the private sector. It's very slow and it's primarily happened in switching from part-time jobs to full-time jobs for people. So the number of jobs increased only 900,000, but the number of full-time jobs 2.6 million.

So the bad news is that the stimulus package has not really had a major effect on job growth yet and the private sector is still in serious decline, although the decline is less than it has been in the past. But the green line shows that the stimulus actually has mattered in terms of lowering the effects of the decline in market income on the median household. And that green line includes the effect of taxation. And what we see is that most of the stimulus that went to households in the United States didn't come in direct transfers like unemployment insurance or Social Security benefits. It really came in lowering the total taxes paid by taxpayers and giving tax credits to lower income people. And so much so that if you actually look at that green line, even though it's below a pre-tax, post-transfer, income because now we're figuring taxes, because taxes were lessened the actual drop from 2007 to 2010 -- and my guess is also in 2011 -- is no where near as much as the drop that you would see in pre-tax, post-transfer income and much less than what you would see in market income. And that's true whether you do it unadjusted or you do it in I think a more appropriate way and look at size-adjusted income, the same is true. But here is sort of an interesting factoid, and it depends -- let me look and see what my time is here, I've got 10 minutes. What you see is if you look at that green line, it says that the median household was a net payer of taxes versus receiver of transfers. That's why that green line is below the blue line all the way through until 2008 to 2009. In 2009 and 2010 the median household income is actually getting more from the government than they're paying in. Now the problem with that is that's great in the short run, but in the long run the reason that the monies are there to provide this kind of short-run stimulus is because we borrowed and ran up major deficits. So the issue is in the longer run. Unless we have substantial economic growth, we're going to be in serious trouble and that's the bad news about the bad news not being so bad. We should be seeing much better news by now. When you do size adjusted, it turns out that the median household income is neutral. They pay as much in taxes as they get in benefits for that period.

Okay, so let me turn to poverty. The poverty numbers are better in the sense that poverty didn't rise, and that's very good news. But it didn't fall very much either. It fell insignificantly from 15.1 percent to 15 percent. So it's still at the highest level that we've seen post-1967 except in two years where it's just slightly higher. So poverty numbers haven't declined very much. Well again, the good news is that the poverty measure doesn't capture all of the resources available to low income people. And just as middle income people, the median income person is actually for the most part better off because of government transfers and taxes, that's also true of low income people. So let me show you numbers, and I'm going to make the same point that Ron did, that I only have the numbers for 2010. My sense is that things won't have dramatically changed, that if you look at the bottom quintile and look at the mean household income of the bottom quintile, you see that it's actually pretty low, is always low. In 2007, the peak year of the last business cycle, it was around $4,000. It's dropped to below $3,000, and it's possible that their market income has increased slightly. And that may be the reason why the poverty rates haven't risen even more. And so part of these jobs that have been created have been created at lower job skills, which is what the low income people have. And part of the signal that that may be happening is even though full-time employment has increased, the actual median earnings of full-time workers have actually fallen. And what that's suggesting is that these full-time jobs are at lower salary rates than in the past.

Okay, so if you look at the first slide, market income is the blue slide. If you go up to the red, you see pre-tax, post-transfer, income. And you see that for low income people, it appears that not only their market income has declined, but so has their pre-tax, post-transfer, income. And those are the straight numbers if you don't take into consideration taxes, but, in fact, taxes are -- low income people get positive taxes through the earned-income tax credit and also through the stimulus which gave tax credits. So you see the green line really offsets that decline in pre-tax, post-transfer, income once you include the effects of taxation. But even more so when you start counting where the major source of increase in disposable income for low income people is -- in-kind transfers like food stamps, or SNAP as it's called now, school lunches, and housing -- then you see remarkably that there's almost no change in the economic well-being of the bottom quintile of the population at least measured by mean because of these offsets particularly in the stimulus monies. And, as a matter of fact, if you then go to the black line, and this is a little bit more controversial, and put a value on Medicare and Medicaid at its market price, then you see that the amount of resources actually available to low income people is substantially higher than what you get in any of these measures. And it, too, hasn't changed very much even though we've gone through the most serious recession since the Great Depression. And these numbers for the second quintile also show that we're not fully capturing what's going on. If you look at the pre-tax, post-transfer, income of those in the second quintile, the mean value, they had a precipitous drop in their market income -- that's the blue line. But it is almost fully mitigated by post-tax, post-transfer, income and even more so when we include -- I'm sorry, if you go to pre-tax, pre-transfer, income, it looks like the median income. It goes up. You see that decline. But now you see that for the second quintile, they've always gotten more from the government than they've paid in and that has mitigated this decline in pre-tax, post-transfer, income. And again, it's down, but not down nowhere near what it would look like if you used the official pre-tax, post-transfer, numbers.

And finally health care, both Medicare and Medicaid and monies from employer-provided health care, for these folks show that their actual resources are much higher than captured in any of this.

Okay, and then finally for the last -- I still have actually two minutes. I've got plenty of time. I can take a breath. Just to show you what's happening at the top quintile, what has been happening -- and if you go into the weeds of the report, you'll see that real income has fallen all the way up to around the 90th percentile last year and certainly since 2007. Since 2007 real income has fallen for everybody. But finally at the top income percentiles, their pre-tax, post-transfer, income has risen slightly in 2011 so income inequality has increased slightly, but it's mainly because of the declines in the income of other people rather than major increases in the top 5 of 1 percent. And this number shows if you just look at the top 20 percent, what you see is that their pre-tax, post-transfer, income is in blue. They get very little in the way of post-transfers so it goes up a little bit, but then when you bring in taxes, of course, their income falls substantially. And that quintile actually has had a greater decline in real income in an absolute sense than all the other quintiles.

So I'll just finish by saying that the bottom line, I think, on these numbers is that we were in a Great Recession. That Great Recession has seriously affected market income. The good news is that the bad news on market income isn't quite as bad as it was in 2010. And the good news is in the short run, government transfers when you actually measure them, do a much better job than are actually measured here in mitigating the decline in real income of both poverty folks, but also people at the bottom two quintiles. But that has been paid for by China in the sense that they're holding our debt that can't go on forever so we need greater economic growth and we need to do that in the private sector. Thank you.

MR. HASKINS: Thank you very much. I appreciate that. So Ralph Smith. Ralph once several years ago at Casey, shortly after welfare reform, with a very distinguished crowd, Ralph introduced me. And he told the crowd that my name was Darth Vader. So Ralph, is turnabout fair play? Ralph is somewhat influential at Casey and I work at Casey, so turnabout is definitely not fair play. So here comes a really worthwhile introduction, Ralph.

He's a Senior Vice President at Annie Casey and more importantly -- I think he would say this -- he's a Director of the Campaign for Grade Level Reading. A couple of weeks ago we had an event here at Brookings to focus on some of his work and had a number of people who had been working with him. He's a former Professor of Law at the University of Pennsylvania, so it's great that anybody would stop being a lawyer and become interested in children's development. There are about three of those in the country. He's former Chief of Staff in the Philadelphia School System. And I think it's fair to say for the last decade or so that Ralph has been one of the most influential people in the world of foundations, and that is a very big world. So Ralph, thank you for coming to Brookings.

MR. SMITH: I'm delighted to be here. I think what I actually said is that there were days and there was a time when I really did see Ron Haskins as Darth Vader.

MR. HASKINS: It seems like a distinction without a difference.

MR. SMITH: And Wendell who's sitting down front here probably agrees. I'm delighted to be here. And as I look out at this audience and I know this panel, I'm reminded of the George Burns line where he said "It's like showing up to a black-tie with brown shoes," you know. This is really not my kind of crowd, and I must admit my trepidation when I realized that I had said yes to Ron out of a surplus of appreciation for the hard work he had done on the event we had here several weeks ago. Ron, sensing the moment, called up and said well, Ralph, will you be a presenter? And, you know, I would have said yes to anything I was so grateful. It felt as if I had all the time in the world. And Ron did not especially make full disclosure of the mission. He thought it was on a need-to-know basis, that I really didn't need to know all that much. He managed to mumble that there would be a co-presenter, but didn't really tell me who that would be.

And by the time I sort of paid enough attention to it, I was well over my head and too embarrassed to say Ron, find somebody else.

But then I realized, in fact, that while this crowd and this occasion would be intimidating for anybody, including a recovering law professor, that Ron actually had something in mind. And I'll play the part and acknowledge and confess at the outset my own discomfort with much of the conversation on poverty, and I mean no disrespect to the folks in the audience, that there's an antiseptic quality about the conversation. There's an antiseptic quality about the charts and graphs and the PowerPoint that feels to me as if it misses the issue and misses the reality of the lives of the people and the families about whom we speak. So let me just begin by noting, and I will confess, I don't see these figures as being not quite so good, not good, not as bad as we hoped, neutral -- these are my notes. I just can't get to the point where I'm so captured by the data that I miss what these numbers mean for the lives and futures of the families about whom we speak, about the material conditions in which they live, about the aspirations they could hold onto for their kids and for the next generation. And I will confess a discomfort as I think about the one million children who despite these not-quite-so-bad numbers will be born into poverty next year. One million new entrants into poverty, and what we can predict now. And what we can certify on the day they are born is that more than 50 percent of them will spend half their childhoods in poverty. Twenty-nine percent of them will live in high poverty communities. Ten percent of them will be born low birth weight, a key indicator of cognitive delays and problems in school. Only 60 percent of them will have access to health care that meets the criteria for having a medical home. By age three, fewer than 75 percent of them will be in good or excellent health, and they'll be three times more likely than their more affluent peers to have elevated blood lead levels. More than 50 percent of them will not be enrolled in pre-school programs and by the time they enter kindergarten, most of them will test 12 to 14 months below the national norms in language and pre-reading skills. Nearly 50 percent of them will start first grade already two years behind their peers. During the early grades, these children are more likely to miss more than 20 days of school every year starting with kindergarten, and that record of chronic absence will be three times that of their peers. When tested in fourth grade, 80 percent of these children will score below proficient in reading and math. We know now that 22 percent of them will not graduate from high school, and that number rises to 32 percent for those who spend more half of their childhood in poverty. And to no one's surprise, these sad statistics and deplorable data get even worse for children of color and children who live in communities of concentrated poverty.

So if we amended today's question and asked, what does the report mean for these children who will be newly born into poverty over the next 12 months? From their perspective, this report brings bad news about a predictably bleak future in this the land of opportunity. You know, as Ron said in his introduction, I'm a recovering law teacher and a recovering securities and corporate lawyer. So when I came to this work, there was a question I had and the question was how could we know as much as we do, spend as much as we do, care as much as we say we do, and accomplish so little for so many kids over such a long period of time as permanently to compromise their ability to grow, to be productive adults, committed citizens, and effective parents? And the answer I derived was not a pretty one, but the answer was that we don't know as much as we think we do, and we often lack the personal courage and political will to act on what we know. We don't spend as much as we need to, but until we do better with what we have, we're not going to make the case for what we need. And we don't care as much as we say we do because some kids matter more than others and some kids matter not at all. And I think these million kids are the kids who might matter not at all. And so when I see the numbers, I must admit that I flinch and I think they ought to as well because for these children, the numbers that matter most to their futures and to ours are one, the income of their parents, and two, the zip code of their homes.

Because we can predict the fate of the one million children who were born into poverty last year and will be born into poverty this year and who will be born into poverty next year, we probably know a lot. I think, Ron, you said this was the 11th year. Well, we probably know a lot about what the 21st occasion will say in 2022. And we also probably know a lot about what that occasion will say in 2032. So did we intend this? No, not in the sense of wanting bad things to happen to young children. Now for the moment I'm going to resist -- I'm going to resist being the lawyer in pointing out that a legal standard for intent is that intent can be inferred from knowing the likely, probable, and evitable consequences of action and inaction. For the moment I'll resist re-asking the question about intent.

Now despite appearances to the contrary, few of us will submit that persistent poverty is to be celebrated and admired. So we're not going to build any monuments to it, I don't think. On the other hand there are those who will argue that persistent poverty and, therefore, the fate of these one million children is an inevitable byproduct of an economy and a democracy committed to individual enterprise. As such, persistent poverty is to be regretted, but endured, and eased by strong safety-net programs -- transfers. Others act as if persistent poverty can be likened to a disease for which the cure is still uncertain. From that point of view, those afflicted with this disease are deserving of sympathy and compassion-driven palliative care. Others see poverty as the result of weak values, bad decisions, and an abrogation of personal responsibility, and as such social policy must be constrained by the need to avoid incentivizing bad behavior.

Now, I also will resist the temptation to veer off on the issue of moral hazard and how well that argument worked on the other side of the income spectrum. You see, we don't have a notion of "too poor to fail." The view that I agree with most is the one that recognizes that persistent poverty is <u>the</u> challenge of our time. And like the World Wars, the Great Depression, civil rights, persistent poverty is worthy of an engaged national as well as federal government. This is not easy. It's complicated. It's even complex. But there's really, really good evidence of what works and what could work even better if taken to scale. As I prepared for this presentation, I went back, Ron, and I found nine summaries of the sessions by Brookings. And, you know, my first conclusion after looking at them was that Ron and Belle probably really love the movie, "Groundhog Day." They may be big fans of "Groundhog Day." The second is that they've got -- they share a gene, a gene that sort of predicts patience that probably links them to Job. And lastly, knowing how far Ron and Belle are, I think they probably really did all the research on the *Titanic* and found that in addition to rearranging the deck chairs, there were some economists who were counting them. I don't think that in 11 years that we have made that much progress from when they started, and they've had some amazing people here with great thoughts, great ideas, great at data, beautiful evidence. So the question then is why haven't we done more? And Rita's sitting down there giving me a sign that it's getting close.

Let me say that on September 12 that it's fair to recall September 11. And you know, when all the stuff was written about September 11 and all the images persisted, there were words that embodied the anguish that celebrated the valor, that affirmed the resilience, and that honored both heroes and victims. The words that I found most compelling were words of Governor Tom Kaine when he announced the Commission's finding that "More profound than the failures of policy, capability, and management, was the failure of imagination."

We don't know all we need to know, but we know enough to do better than we've done. And even more profound when we come -- and this matter will when we come -- to persistent poverty is the issue of imagination. Let me ask you. Imagine, what would it take if next year at this session that the report was obscured by a robust policy debate as to what the country ought to do about persistent poverty? Imagine that in 2015 candidates as they stumped in Iowa and New Hampshire and North Carolina had to confront the issue of persistent poverty and had to talk about it. And imagine that in 2016 there was a debate where a reporter would even ask a question about it, but where candidates would feel compelled to articulate their position. Most of us in this room, as good and as smart as we are, we cannot imagine that happening. We cannot imagine that happening, and if we can't imagine it, we won't work to make it happen. What can make it happen? Imagine again that in January of next year that in the United States Congress there was a real bill to set a goal to reduce poverty, not a bill introduced for purposes of making a point, but one introduced with intent to have it passed and having hearings and having a debate. Imagine all the people were talking about it and if there was a real conversation and they weren't voices in the wilderness. Imagine if there was an Executive Order saying that when we score, make sure that we talk about the likelihood of reducing persistent poverty.

If we began that, then we would end up redefining Ron's question and we would then have to say in contemporary politics, what does this mean for the middle class? And as annoying as some of us find that question, it is the real question. And it is the question that will determine whether we build the bipartisan consensus that we will need to move this issue forward, which means that we've got to really talk about the costs and the price. We've got to talk about what persistent poverty is doing to our nation and our ability to compete in the global economy and to protect our security in a threat-filled world. We've got to talk about what it's doing to domestic security, domestic tranquility. And we've got to talk about it in ways that average people can understand about what it means to our future and our nation of a sense of who we are.

These are the issues it seems to me that we have got to get to, and so I appreciate immensely, more than I could tell you, the important work that the economists do in putting these numbers together and then parsing them and figuring out about the fifth quintile and the fourth quintile. But I must admit to some impatience if that's all we do. Those of us who care about this issue cannot be satisfied with the conversation today. We've got to do something to create the momentum, and in order to create the momentum, we've got to imagine it.

So, Ron, the real answer to your question of what do these numbers mean and what does this report mean? It means we've got a hell of a lot of work to do, and we ought to get on doing it. Thanks.

MR. HASKINS: So a very distinguished panel. I'll bet you a nickel they don't give answers that satisfy Ralph, but we'll see about that. I think I'll call on Ralph when they get all done and ask him for his solution.

So let me begin with Isabel Sawhill, my colleague from Brookings. She's a Co-Director of the Center on Children and Families whom I easily consider one of the nation's leading experts on economic mobility and inequality. But she writes about almost everything having to do with social policy, so Belle Sawhill will go first.

Then we'll have Gary Burtless -- I have a life-long friend named Gary Billings and every time I'm tempted to call him Gary Billings. He's a Brookings Senior Fellow and I think again it's very simple to call him one of the top labor economists in the country. He does more work on unemployment -- well, maybe I'd better not say that -- but he does a lot of work on unemployment at Brookings. And if you look at the Brookings Website every time that the unemployment report comes out, you'll learn a lot by reading his blogs, and he's written long, scholarly, papers about unemployment. Ralph might have the same question about the unemployment numbers -- what are you going to do about them? But it's great to have Gary on the panel. He's been on our panel before at this session and makes a lot of sense when he talks about policy.

Kay Hymowitz is a William E. Simon Fellow at the Manhattan Institute. She's what I would call a public intellectual. She's writes about marriage, writes about childhood issues -- oh, you don't like that term?

MS. HYMOWITZ: No, I do.

MR. HASKINS: Oh, good, okay, good. And she writes about poverty. Her most recent book -- I love this -- is called *Manning up: How the Rise of Women is Turning Men into Boys*. I think we may have her back to discuss that here at Brookings with a power structure all male or not all male, but just about.

And then finally, Wendell Primus. Wendell's an economist. He's been on the Hill -- I think he got his first job on the Hill just after the end of World War II.

MR. PRIMUS: World War I.

MR. HASKINS: No, it was II. I'm quite sure. Look at him. He looks so young, it couldn't be I. He was with the Ways and Means Committee for many years, and we worked together. I use the word "together" somewhat in a misleading fashion, and he's expert virtually on everything having to do with the Ways and Means Committee, and everything having to do with the Ways and Means Committee is everything. And finally he's the scourge of Republicans and conservatives. So Wendell Primus will have the final word. Isabelle Sawhill.

MS. SAWHILL: Well, let me begin by thanking my esteemed Co-Director, AKA Darth Vader, and Ralph, I sometimes think of him as Darth Vader as well. And I did resonate to your thought that maybe some of what we economists do or we analysts do, is way too antiseptic. So I'm going to talk briefly about three issues, first of all the longer term picture here on poverty. Secondly, who it is that's suffering most from poverty right now. And thirdly, what government policy might look like going forward in seven minutes or less.

So on the long-term trends, I think what's most bothersome to me is that despite the fact that the poverty line, the official measure or benchmark, has not been adjusted since it was first created back in the 1960s other than for inflation and, therefore, as a benchmark has not kept up with the growth of standards of living since and, therefore, is much further below the average person's income than it ever was before, despite that we now have poverty rates that are higher by 3 or 4 percentage points than they were in the 1970s, 30 or 40 years ago. So that's kind of shocking. And when you think about why would that be, I think in part it's because of growing income inequality. There are more people at the bottom and more people at the top. And in the report that the Census Bureau released today, you can track what's happening to each income quintile. And you can see that the share of total income going to the people at the bottom has gotten smaller over the years, and the proportion going to the people at the top has gotten bigger. And I think we all know that we have more inequality than we used to. And if I had time I would go into all of the reasons why we think we have more income inequality, but I think I don't have a lot of time for that.

Now the second simple point I want to make is about who's affected. As Ralph said, there are big differences by race. Ron showed there are big differences by marital status. There are big differences between adults and kids. The difference I really want to just underscore is that all of the increase in poverty, not just recently but on these long-term trends, has been amongst working-aged Americans and their children. If you look at poverty rates amongst the elderly, they have come down not only dramatically, but continuously. I think Social Security benefits have played a big role in that. We know that from some other research. But my point is that right now, at least as we currently measure the rates -- and I understand there are some issues about how we measure this and the Census Bureau's work to redefine the poverty measure may change this and we don't have time to get into that whole debate -- but right now, the poverty rate amongst the elderly is way, way lower than it is amongst working-aged Americans. I mention that because as part of the budget debates going forward, we're going to have a big discussion about the three big entitlement programs that mainly serve the elderly -- Social Security, Medicare, and Medicaid. And those programs are growing so rapidly mainly because of increased health care costs that they are crowding out spending on working-aged Americans and their children and crowding out programs that serve low income Americans, and that's going to get much worse before it gets better.

Now as Rich Burkhauser's analysis showed, government benefits and tax credits do make a difference. If you include them, then things don't look so bad. I mean, I think in a way that's a good news story. And I know that Wendell for many years always emphasized that once you include in income the benefits that people get, it does a lot. And so I think there's been a tendency in this country to assume well, we tried a whole lot of things and the programs don't work because we still have poor people. Well, that's just simply not true. They have a big impact and you saw that in Rich's analysis. Now some of the temporary increases in benefits that Rich talked about are going to go away because they were part of the stimulus package or they were part of the agreement to cut payroll taxes and increase unemployment insurance. But those were temporary and they're going to go away. And by the way, Rich, you mentioned that this is going to add to the debt. It will add to the debt, but only temporarily and, therefore, have a minor effect on interest rates going forward, but not on the deficit otherwise. However, the fact that they're going away is going to be a problem, and I think could affect how people are faring moving forward.

I think that in terms of Ralph's challenge to us of what can we do, I will mention just two things quickly because I only have one minute now. One is I want to give lots of credit to Darth Vader here for having worked hard on helping the Census Bureau come up with the supplemental poverty measure and working with mini groups in and outside of government to get that done. And Gary has worked on that as well and others here at Brookings. And I think once we have the new measure and it comes into normal use, which I'd expect it would over time, it's going to solve one of the problems that I mentioned at the beginning, which is that we haven't adjusted the poverty line for increases in standards of living. That will eventually be less true.

And the other thing is that this budget situation that I alluded to is critical going forward. And we really do need to reform and restructure entitlements in my view. And we do need higher revenues. And one of the things that some of us have been writing about recently is this budget picture. Ron has done some interesting work on Medicare. I've been writing about the so-called fiscal cliff. I have been actually advocating going off the fiscal cliff. Why do I advocate it? Because it will increase revenues dramatically. It will also reduce spending automatically across the board. But the Congress would then have a whole new base from which to operate. With higher revenues, they could still afford to cut taxes some and still have revenues -- they'd be much higher than they are now -- and with lower spending, they would have an opportunity to plus-up the programs that we think are -- Ralph and I think -- important and probably Wendell as well and maybe not some of the others.

So I'll stop there because I'm out of time.

MR. HASKINS: Thank you. Gary Burtless.

MR. BURTLESS: Well, Belle talked about the long term. I want to talk about the short term. The official poverty rate edged down last year by one-tenth of a point. That's not a statistically significant amount, but it probably suggests that in the current business cycle we've already seen the peak poverty rate. How did the poverty rate changes in this past recession compare with those of earlier, post-war recessions? Is there anybody who's handling these pictures? Guess not. I have some pictures. They're probably in the handouts if you picked up the handouts. I don't know where -- I haven't seen them. One way that we measure how severe a recession is the unemployment rate of people who are between 25 and 54 years old. It's not affected by the entry of the Baby Boom or the exit of the Baby Boom. It's not affected nearly as much by the age profile of the population. And so the question is -- oh, here we have a picture. And somewhere in your handouts you should find a bunch of slides that look like this. On the horizontal axis of that picture is the jump in the unemployment rate, the prime-aged unemployment rate, over the course from the end of a previous expansion to the worst part of the downturn, what happened to the poverty rate over that period. And on the vertical axis, how high it is from the origin, is how much the poverty rate changed.

Between 2007 and 2010, the annual average unemployment rate for prime-aged Americans jumped almost 5 percentage points and that is the worst post-war recession we had. The other points on the chart show the other business cycles since 1969. And the dotted line in there, that red line, shows you what the average relationship is between the two.

And as you can see, the most recent business cycle saw a somewhat smaller jump in the poverty rate than we have seen in view of the change in the unemployment rate in the previous –- in most of the other five recessions. The recessions in the early 1980's and the early 1990's generated bigger increases in the poverty rate, given how much they drove up the unemployment rate. Why did we do better this time –- a little bit better than we do on average and considerably better than we did in the early 80's and early 90's? One reason probably is that the stimulus provided both by the Bush Administration and the Obama Administration was faster, it clicked in faster.

It was considerably bigger than the norm. We've never had 99 weeks of unemployment benefits, and unlike the other benefits that Rich talked about, unemployment benefits do indeed get included in this measure of money income. That is the basis for determining who's poor and who's not poor in today's report. Well, what about the child poverty rate? There's a stronger relationship between the child poverty rate and the prime age unemployment rate than there is with the overall unemployment rate. Almost every youngster has a working-age parent and a lot of them are younger than average adults and those younger than average adults often are very adversely affected by a bad job market. But as you can see, the child poverty rate also didn't rise as much as one would have predicted given how severe the recession was.

And here finally, is the –- what happened to the prime age poverty rate in the United States in relationship to the unemployment rate. Again, we're pretty close to the historical pattern over most of the post-war period. We certainly have seen recessions, not as severe as the one we just went through, that had a bigger impact on the poverty rate than this one, but it was not -- this current recession was not one in which the poverty rate jumped a lot. There is no relationship as far as I can see, between the poverty rate among the American population past 65 and the prime aged unemployment rate. Why should there be?

Only the people who are maybe 65 to 69 depend importantly on the labor market for their income. So the fact of the matter is, the sources of income that they have from social security, from assets, and so forth are much less affected typically by recessions than the incomes of children and the incomes of prime aged adults. The second thing I'd like to talk about is what happened to health insurance. This chart shows bad news. The change in coverage of the population in the United States by age group, from the youngest age group over on the left to the oldest age group over on the right, and those blue bars show how much health insurance coverage in the United States from any source at all, has changed since 2000.

And that is mostly bad news. But the red bars show what has happened in the most recent year, and that is mostly good news. There's been a significant increase in the proportion of Americans who are covered by health insurance and that is in the face of 10 years in which generally these coverage rates of the working age population and their children have been declining. Between 2000 and 2011, overall health insurance coverage in the United States fell more than 2 percent, but it rose six-tenths of a percent last year. Here are some gains and losses amongst children -- excuse me, on the basis of employer provided insurance. That is almost uniformly bad news.

There's some improvement last year for some young and prime aged workers, but generally speaking, the reason for the improvement last year was the same as the reason that health insurance coverages kept up as well as it has, and that is that the government insurance, mostly Medicaid and Medicare, but also some military health insurance, has offset a sizable part of the declines in employment provided health insurance coverage. Why did the changes occur? Well, employers find it more expensive to provide health insurance and fewer people who are offered health insurance by their employer have been taking it up. Many of these people have moved over especially if they have lower incomes, to government provided health insurance and -- but the good news is that more people have been covered by insurance in recent years.

Okay -- in the last year. So finally, what has happened to incomes up and down, the income distribution? This report also provided evidence about that. We set new records for inequality as it's measured in this -- by money income. Inequality rose because people at the top of the distribution saw improvements in their income last year; other lower income Americans saw continued declines in their incomes. I think the reason for this mainly is that business incomes -- business profits have improved. The stock market reflects a very real improvement in the profitability of American businesses and people who derive an important chunk of their income from these business income sources are going to see better incomes. And that means that people at the top have fared better in the last couple of years than people who depend on wages and employment for income because those improvements have been either slow or non-existent.

MR. HASKINS: Gary, thank you.

MS. HYMOWITZ: Thanks. I was a little surprised when I walked in here to see so many people because judging from my Twitter feed, everybody is much more interested in the iPhone five than they are in the new poverty numbers. But that's very good to see. I think that Darth Vader over here invited me because he needed a family values conservative on this panel for balance. We need to have the balance. I always find that a little amusing as an Agnostic Jewish New Yorker who's a registered democrat, but such is the way of politics. I don't pretend to understand it. I want to talk also as Ralph Smith did, about persistent poverty, particularly as it keeps going over generations.

I want to really focus on the children of poverty and why it is that we, the

United States, seems to do so badly in bringing those children out of poverty. And my position not surprisingly, will be that in order to change significantly that route out of poverty, we are going to have to significantly increase the number and percentage of stable two-parent families. Now, sometimes people who are big family nuts like me are accused of seeing the family as a panacea or marriage as it's usually -- it's usually just talked about as marriage, but I'm really talking in a way more generally about stable environments for children, which often translates into marriage.

People are often -- we are often described as seeing marriage as a panacea. I don't see it as a panacea. I think there are a lot of other things that have to happen, but I do see it as a (inaudible). That is, without this it will not happen. Now most people are aware and Ron reminded us before of the huge gap -- marriage gap between poor kids or rather the likelihood that if you grow up poor, you are in a single-parent family. The numbers that he showed and I think came out today, were that 8.8 percent of children in married families -- the couple families, are poor. That's compared to 40.9 percent in single-parent families.

The one million children who are born into poverty next year, almost three quarters of them will be born to a single mother. Now the common response to this is, well okay, single mothers are less educated. Indeed, they are. Lower skilled, they're already poor, there are no men to marry, so really what is it telling us about this? The problem is that when we talk about single-parent families, it's -- we're really talking about instability. There's an awful lot of work now by the Fragile Families Network, a lot of research telling us a little bit more about the quality of life for children born too into poverty. What you find -- one of the things you find and it's a very important fact that I think people were not aware of before the Fragile Families, the persistence of what they call, multipartner fertility.

59 percent of unmarried couples who have a baby, at least one partner has a child by a previous partner. That's compared to 21 percent of married couples.

Most of those couples will -- who are together who are not married, will break up in the next five-years. And the number I have is about a half of the cohabiting couples, and those are the more stable of the unmarried parents. About half of the cohabiting couples will split by five -- the child is -- their child is five as opposed to 18 percent. By year 5, 20 percent of mothers will have a child by another man, 27 percent will be living with a new partner.

The dads tend to disappear more when the mother of their child has a new partner; this is understandable. And the quality of co-parenting tends to decline. Now, these transitions are really -- cost big time for children. They increase behavior problems and some people have calculated even that they may even have an effect on cognitive achievement. The boys are hit especially hard, and this is also information that we're just -- it's just beginning to appear. There's a growing body of evidence that boys who grow up with single mothers, particularly low income single mothers, have a particularly hard time with what are known as non-cognitive skills.

Those are the skills of self control, perseverance, attentiveness, and so on and so forth. If I can just read or give you these findings from a paper by Bertrin and Penn. The gender gap for externalizing problems, that is for disturbing the classroom, impulsivity, fighting, is twice as large for single mothers -- for children of single mothers as it is for children -- boys, I'm sorry. No, let me go back. The gender gap is two times as large for the children of single mothers as married mothers, same or something similar with suspension -- school suspension, quite a bit higher when it's boys of single mothers as opposed to married mothers.

So what happens then is that we're seeing the children who are being raised in single parent families and suffering the ill effects of these transitions, these changes and a kind of lack of stability. At the very historical moment that these children are in need of more education, more training, and more planning in order to get ahead. I think of this as a kind of, perfect storm in an ironic sense. That is, we have the collision of an economy that requires more and more education and the growth of single parent homes where there is less likelihood that those children will do well in school. And this creates a kind of, negative feedback loop.

Poor children are growing up in an environment where they not only have fewer investments from parents because there's only one parent, but they have a great deal of instability, and this reduces their chance of succeeding in school, particularly boys. This was true before the recession and I suspect it will continue to be true after the recession.

MR. HASKINS: Thank you. Wendell Primus.

MR. PRIMUS: Well, thank you Ron. In the office of the democratic leader, we kind of celebrate straight shooting former republican staffers. So yesterday, we put out a myth buster about what a lot of republicans were saying about the recent waiver regulation that came out of HHS, so we appreciate Ron in the leader's office.

MR. HASKINS: Well, thank you for that recommendation there. It was my last republican -- MR. PRIMUS: I'm trying to make you famous, Ron.

I want to spend a moment putting this poverty and income report into the context. I mean, we know from BLS data that we lost 8.8 million jobs between January of 2008 and February of 2010. Now, we've had 30 months of job creation, but we still have a deficit -- a jobs deficit of 4.7 million, and that doesn't even count the new entrants or the -- into the labor force or the population. We created then about 4.1 million jobs, 4.6 million in the private sector, and now we've lost about 570,000 state, local, and federal government jobs. So that's the context of this report.

And let me tell you, one factoid you'll never hear on Fox News, and that as of right now President Obama has created a million more private sector jobs than Bush did during all of his eight years. Now that's not a great statistic. It really means the Obama Administration has created a net of about 415,000 private sector jobs. The Bush

Administration during their eight years lost about 650,000 private sector jobs. So anyway, Obama has done better by a million. So what is the good news? Let me celebrate the good news and when you're seventh in the lineup here, you're going to repeat a little bit of what some other people have said.

And Gary mentioned this. So in terms of health insurance, we actually had a drop in the uninsured of 1.3 million, six-tenths of the population. And you know, that's despite again, in the context of this very severe jobs recession. But in terms of Medicaid, we have about 11.1 million more people receiving Medicaid today than in 2007, 3.2 percentage points of the population. In terms of Medicare, five and a half million more people receiving Medicare today than in 2007, 1.4 -- and that offsets kind of, a loss on the employment side of about 4.7 percentage points. And so imagine a world and why did that happen? Why did we have a drop this year?

Well, I think there are two factors. One is we said in our 2000 economic stimulus bill that states could not cut Medicaid and we continued that restriction limitation on eligibility in the Affordable Care Act and as a consequence, dates have been -- it's not been possible for them to cut eligibility. That's why we've had this enormous Medicaid increase. And then some of the young adults, we have more young adults covered. So just think of a world where we would block grant Medicaid and cut it by $850 billion, where we don't have an MOE requirement, and where we repeal the Affordable Care Act.

These numbers would not have come true or would soon see a reversal there. I'm not going to say much about poverty. A lot has already been said and I guess I'll -- you know, I think that we don't know much from these official statistics that don't count food stamps and housing and the earned income tax credit, etcetera. The good news is at least it didn't go up any further. I will make one comment that (inaudible) alluded to and that is, the elderly are pretty recession proof. In 2007 the poverty rate for the elderly was 9.7 percent, today or 2011 it's 8.7 percent. So it actually declined a full percentage point over the last four years, and I think that's something to celebrate and it also means we should be cautious about what we're doing when we go to reform social security, Medicare, and Medicaid.

Now to the bad news. And probably though, the most -- maybe the most important chart in this report today is the one that looks at full time, full year workers. And I'm trying to find my chart here, but the bottom line is that we've lost 6.9 million full time, full year workers between 2007 and 2009. That's on the male said, and we've come back only about two million or so. So we're still down five million full year, full time workers and that's why my bosses on the Hill have been saying, we need to do something more with respect to jobs. And we have had no jobs whatsoever of any significant creation bills in the last two years. On the female side, we lost about 2.4 million full year, full time jobs and we've come back about 500,000.

And then in terms of -- I'll just re-emphasize something Gary did, that in terms of what's happened to income at various slices in the income distribution, the bottom and the middle has lost about 9 -- 8 percent since 2007 and the top still has some losses, but they're much, much smaller. And in terms -- if you look at another -- just what's happened to income, the top actually had income growth this past year, 2011 over 2010, whereas the bottom four quintiles had income losses. If you look at a little longer period of time, 1999 to 2001, the bottom was losing 12 -- 14 percent of income, the middle was losing 9. And in the last economic cycle, I just want to bring back a fact again, that we've known, and that is that was the first time since World War Two that median income did not recover fully compared to its prerecession high.

So I think unfortunately Ralph, you know, we're going to have to concentrate on the middle class and get some of those jobs back. I think politically, that's where the emphasis will be before we worry more -- even more about child poverty. I think we should be worrying about child poverty. I think maybe we've got to work on education and things like that, but I really think these numbers demonstrate what my bosses have been saying. We need a jobs bill more than anything else, and even right now the fiscal cliff, the sequester, the republicans will be moving tomorrow to lift the sequester on defense. They're not lifting it on nondefense and that is creating a lot of uncertainty and it's not helping our job creation world.

MR. HASKINS: Thank you, Wendell. So panel, how important are government benefits to families in or near poverty?

MR. PRIMUS: They're very important. I mean, you know, I think –

MS. HYMOWITZ: Very important.

MR. PRIMUS: Yeah, the health insurance story emphasizes that.

MR. HASKINS: No, I just -- I'm getting the picture here. You agree with that?

MS. HYMOWITZ: Yeah.

MR. HASKINS: Okay, so government benefits are very important. And we're running these huge deficits, we're running these huge deficits, we're now spending -- that's unbelievable. We're now spending over a trillion dollars if you include both federal and state money on means tested benefits and we're going to cut spending for sure. Does anybody doubt that? So my point is: this government impact on poverty is likely to go the wrong way in the years ahead. Is that correct?

MS. SAWHILL: I said that. Especially if –

MR. HASKINS: That's how I learned it.

MS. SAWHILL: I know, I said I'm agreeing with you. Yeah -- so yeah.

MR. HASKINS: All right.

MR. PRIMUS: Yeah, but I would say there's going to be a big difference in terms of how the election goes in terms of how –

MR. HASKINS: I'm shocked that you would say that.

Are you saying that the democrats would preserve the benefits at the bottom?

MR. PRIMUS: They're more likely to do that than if some else is in charge.

MR. HASKINS: And you don't support the block grant? But it could be -- it could be more than just a little bit of cut. It could be some really, really serious cuts. If we had a block grant in food stamps and in Medicaid, there are going to be some big cuts, right?

MR. PRIMUS: Well, just look at the Ryan Budget versus the OMB Obama budget. I mean, that tells the story.

MR. HASKINS: Your point is that the Ryan cuts balances more quickly than the OM --

MR. PRIMUS: No, I'm saying it cuts a lot more.

MR. HASKINS: Yeah. Alright. So --

MS. SAWHILL: Here's where I -- on your question, here is where I disagree a little bit with Wendell. And that is that he says and I understand this argument because many people make it, one of the reasons the poverty rate is so low amongst the elderly and hasn't been -- obviously it's been recession proof, is because they do get social security benefits especially. And that's true. On the other hand, if you look at the poverty rate amongst children, which is around 21, 22 percent and you look at the poverty rate amongst the elderly which is around 8 or 9 percent, that's a huge difference. And it doesn't seem to me it's right for children who are the future and who we should be investing in, to have a poverty rate that is almost three times as high as the poverty rate amongst the elderly.

And that leads me to agree with those who are arguing that not only do we need more revenues to reduce the deficit and invest in the future, but we also need to reallocate some money from these programs for the better off elderly. I mean, you're talking about means tested programs, but Medicare isn't means tested and social security isn't means tested, and those are where most of the money is going. And so, it's a principal as far as I'm concerned. If we're going to do what I think Ralph wants to do and I might want to do, we've got to change that.

MR. HASKINS: Okay. Wendell, are you going to defend yourself? Do it quickly.

MR. PRIMUS: Well, yeah. All I would say to Bel is, we don't have to pit the elderly versus the poor –

MS. SAWHILL: We do.

MR. PRIMUS: I don't think we do. Now let me explain. No, there's another argument. In the Affordable Care Act we did Medicare cost reductions of $716 billion.

MS. SAWHILL: Oh, we've learned that number. Yes.

MR. PRIMUS: Yes, and you know, the Ryan budget endorsed that number, the Romney budget would undo it so –

MS. SAWHILL: Right.

MR. PRIMUS: So there are ways we can lower Medicare costs without changing that poverty number on the elderly.

MR. HASKINS: Yes, bring him support. Are you -- is that your –

MR. PRIMUS: No, we're not going –

MR. HASKINS: Oh, okay. We've clarified that. Right. So but -- now back to my point. So we all agree and I think everybody in the audience probably agrees if you paid attention to the charts and all that, the government benefits are really crucial to poor, they would be a lot worse off without government benefits, and government benefits are going the wrong way. The future is not great from the perspective of the government. Rescuing the poor, even to the extent they're doing now, let alone what Ralph wants to do which is even better. Okay, now let's look at employment. You literally cannot usually -- I've fooled around with this for several years now.

It's very difficult to make up a package of benefits that gets -- welfare benefits that gets a family out of poverty. Generally speaking, you can only get out of poverty -- a mom -- let's say a single mom and kids, if there's income. Either the mother has to work or she has to live with someone that works and is willing to share their income, okay? Now, the employment picture. Gary, what's your prediction about the employment picture? We're still down -- I couldn't -- I've lost track. Millions of jobs –

MR. PRIMUS: 4.6, 4.7 million.

MR. HASKINS: And maybe not quite as many at the bottom, but what's the picture next year or the year after that? Are we going to have as many jobs as we had before? And by the way before you answer that, let me point out that we did have a huge increase in employment among never married mothers who are the most disadvantaged group and something like a million and a half moms (inaudible 27:57) but a total increase in employment of 40 percent. And as a result of that, child poverty among kids in female headed families and among black children who live disproportionately in female headed families reached the lowest level ever because of work. So now we're looking at work, Gary. What's the picture?

MR. BURTLESS: Well, the economy, I think, has produced very few jobs because of the character of the recession that we had. What happened was that the wealth of American households imploded. It exploded from 1995 up to about 2006 or 2007 because of the twin rise in house prices and people's net worth in their home and stock bond appreciation. Obviously, this wasn't uniform, it wasn't steady. But in combination, if you look at what happened to the wealth of American families including middle income families, between 1995 and 2007, there were a couple of periods in which we set records for the ratio of American's wealth to their income.

If people have a lot of wealth that someone else is creating for them because they own assets that appreciate in value, they don't have to save as much, consequently they spend more, and that's exactly what they did. They're spending increased faster, people were optimistic because they just looked at their net worth, and that kept consumption in the United States very, very high. Yes, we had a very bad recession in terms of loss of wealth at the beginning of the last decade, but house prices kept on increasing and I think that restored a lot of people's confidence.

Well, I don't many people believe that the house prices that the United States had in 2006 or 2007 are going to come back any time soon, at least in relationship to their income. So American balance sheets were very badly damaged by that implosion of the value of homes. A lot of families are under water, they're slowly working their way out of it; house prices are slowly beginning to edge up again. I do think over the next four years regardless of who's elected president, in barring some terrible catastrophe in the Middle East or Europe, Libya, people should feel better about their balance sheet and spend more and I think gradually that will improve things. Businesses in the United States are very healthy at the moment.

Their balance sheets are really strong. They're making tons of money. It's been a great recovery if you own a business in the United States. I know that's not what you hear in this campaign which focuses like a laser beam on small businesses, but big businesses are making profits now that are like they were at the peak of the last economic expansion. So businesses are very healthy, they're not adding to their jobs because they look at American households, they look at the rest of the world, and they say, where are we going to sell this stuff? And they aren't very confident that they can do it.

MR. HASKINS: So you're point though, is that in the medium term, the prospects for lots of new jobs, especially at the bottom, is modest?

MR. BURTLESS: It's stronger than it's been over the last three years. The beginning of this recovery has been very, very weak because American households remain. Their wealth has dropped a lot in the last years.

MR. HASKINS: So if you had to predict the poverty rate over the next four or five years –

MR. BURTLESS: It should decline.

MR. HASKINS: A lot or a little?

MR. BURTLESS: It depends on something. I don't know how fast. Will improvements in household balance sheets inspire Americans to spend more of their money?

MR. HASKINS: Okay. I'm going to say that if you're making bets here, it's going to increase at best at a modest rate and there aren't going to be the millions of jobs we had during the 1960's -- the 1990's –

MR. BURTLESS: I don't think growth of 200,000 to 250,000 jobs a month is an unrealistic possibility.

MR. HASKINS: But they have -- a lot of them have to be at the bottom too. But anyway -- okay. So my point is that the government support for the poor is in jeopardy and the employment way out of poverty which is the best way, is at least a little bit suspect, and we have a lot of people at the bottom who really have not worked and who have shown themselves to be incapable of consistent work, although a lot of people are working on that problem. So my point is that we are going to have very high poverty rates for the foreseeable future no matter how many exciting and moving speeches Ralph Smith gives. Is that right or not?

MS. SAWHILL: I think it is to some extent right. I mean, I don't think we're going to get back to the sort of, 11 percent or even the 12 percent we had before the recession anytime in the next decade. And I could be wrong. It does depend very heavily on what Gary was just talking about. If we have a really strong recovery and a booming economy, it could happen faster than that. But our projections which are, you know, based on a model show that the thing is leveling off now and then it starts to gradually come down again. The poverty rate I'm talking about. But it comes down very slowly, at least if you accept the mainstream economic forecasts that are out there right now from CBO, OMB, and the Economist Intelligence Unit.

MR. HASKINS: So now -- 10 months from now when we invite him again next year, is going to read the summary of this event and just so he can't criticize this like he did, with all the facts and suppositions maybe a little bit, that I've just laid out and that most of you have agreed to, Gary resist a little bit, what should we do?

MS. SAWHILL: Well but you know, don't forget Ron, we all made the point -- or several of us made the point that if -- there are a lot of government benefits that really help the poor but don't get counted in the official poverty rate. So you know, we do have to amend this story that way. I don't think Ralph cares what happens to the official poverty rate, that's part of his point. That's an abstraction. He cares about how people live, and if you have food stamps even though that doesn't get counted, that helps you.

SPEAKER: Right.

MS. SAWHILL: If you have housing assistance it -- you know, so forth and so on, and you know, we also have to talk about Kay's issue. I very much agree with a lot of what she said and I know you do as well. That a lot of the problem here is it is very tough to raise children in a single parent family. And then we need to talk about education and other programs that don't just affect people's income, but affect their ability in the future to earn an income.

MR. HASKINS: But back to the family composition issue, does anybody see any evidence at all that that's even turning around in any way?

MS. HYMOWITZ: You know, the argument that I've always made is that it can't turn around until there really is a consensus -- a cultural and social consensus that this is a major problem and is going to mean persistent poverty no matter what the government does. And I had the experience just recently of getting a call from somebody from the Senate Finance Committee. They were going to be talking about something related to poverty, would I consider coming down to talk about the family issue? And when I got interviewed by the woman who was ultimately in charge of choosing people who would come, she listened to what I had to say and she said, well we're not interested in religious issues. So that tells you a little bit about where these ideas are in many people's minds. They're just really seen as kind of, fringe wore by you know, too many people.

MR. HASKINS: Right.

MS. HYMOWITZ: And until there's more of a consensus, I don't see any change.

MR. HASKINS: I wanted to comment on Bel's point which I certainly agree with and which I said you'll find out the picture's not so bleak as we have shown here, I think the future under any scenario that we have evidence would reduce poverty, is grim. Audience? Questions? State your name and ask a question, but don't take too long. We'll start right here on the aisle. Set a good example.

SPEAKER: Hi, I'm Barbara (inaudible) and my question is, if you want to have more -- you're looking at the focus of the problems of single family -- single parent families, since that does involve social issues and religious and other things, it would seem to me that more could -- at least some more could be done in just the idea of having public education start at lower -- at younger ages because younger -- much of the problem of the social impact on poor children is that they don't get the stimulation and the education of public school until they're so old. That they're minds are not as capable of being flexible as they are when they're much younger.

MR. HASKINS: So the preschool, is this part of the answer?

MS. SAWHILL: Absolutely. I mean, you know, there are a lot of children already in preschool, but as Ralph pointed out, not enough and it's the low income children who need it the most and they need a high quality experience. The most recent evaluations of the Head Start program which is our biggest current program are that it's not doing what it needs to do. The current administration to its credit is really trying hard now to improve the quality of Head Start centers by competing some of the money that goes to those centers. Ron actually knows more about this probably than I do. Do you want to –?

MR. HASKINS: No, I'm the moderator and I'm not going to answer it.

MS. SAWHILL: I want to say something else about –

MR. HASKINS: All right.

MS. SAWHILL: -- early childhood though, which relates to Kay's issue as well. And that is, we don't worry enough in this country about the circumstances in which those one million children are born into poverty. Why are so many born to single parents who are not yet ready to support them? It's because we have too many -- at least one reason, a very important reason is because we have too many unplanned, unintended pregnancies which eventuate in birth to women who are not yet, you know, established in terms of either their relationships with a partner that's you know, a committed partner or in terms of their own education and work experience. And if we could have more births that were planned and parents would -- adults would wait until they're really ready to raise a child, it would solve some of this problem that Kay was talking about.

MR. HASKINS: Kay, you want to add something?

MS. HYMOWITZ: Yeah, well I've always been uneasy about the language of when they're ready, because I think there's something kind of vague about that for a lot of our population. Well, what does it mean, you're ready? They feel ready. You know, that's why they're going to have children. So I think –

MS. SAWHILL: But they say by their own -- you know, the day is very clear –

MS. HYMOWITZ: No, that's true.

MS. SAWHILL: They say they weren't ready, they say they didn't plan it, they didn't intend it.

MS. HYMOWITZ: Well, they do say they didn't plan it, but they also cite a lot of ambivalence about it.

MS. SAWHILL: Yes, they do.

MS. HYMOWITZ: And I -- you know, so the planning issue I think is pretty complicated. As for the preschool issue, you know, I'm just a little skeptical about just how far that will take us only because the programs that I'm aware of that have really made an impact were extremely small model programs from 30 years ago and they worked great. But bringing them to scale, I don't know. I don't know that we can do that.

MR. HASKINS: Next question? Right here. Oh, you have the mic. Hand it right down -- yeah.

MS. MICHEL: Yeah, I'd like to build on that. I mean, I think we keep seeing single headed household –

MR. HASKINS: Can you please introduce yourself?

MS. MICHEL: Oh, Sonya Michelle, University of Maryland. We keep seeing single headed households as a kind of independent variable, that there's something inherently bad in them in their DNA and I think we're beginning to unpack that a little bit. But in addition to the difficulties and the challenges that single parents face, we also have to look at -- and both of them are headed by women. We have to look at their income possibilities. I mean, Isabel has done wonderful work on this and we know that there's still, what is it? Women are in 75 percent of what men do, we know there's ongoing discrimination, IWPR has done a study that showed that women lost fewer jobs in the recession but the recovery has been slower.

So men have gotten back 45 percent I think, of their jobs and women only 40 percent. And a lot of those are low income or part time jobs. So instead of blaming women and inherently blaming and blaming single headed households, let's try to do something to improve them. In addition to childcare programs, our after school programs are lousy, there aren't enough of them, it's certainly possible to invest a whole lot more in preschool than we are doing, and also we -- and Miss Hymowitz sort of brushed off the fact that so many men are unavailable to be married for low income women. But 25 percent of minority men are in the incarceral system one way or the other. So who the heck are they going to marry?

MS. HYMOWITZ: No, no I don't brush it off. I think that is part of the problem. But the question is, how do you ever resolve that when you keep raising generation after generation of boys who don't have fathers? And you know, it's a chicken and egg kind of problem. You know, to answer your other question about -- well first of all, I always hesitate about this term, blaming women. I mean, we're talking about what seems to work best for kids, and there's so much data at this point that they are going to be better off if they're growing up with their stably married parents that I -- you know, to talk about -- to then say, well you can't talk about that because it's blaming women, I think is –

MS. MICHEL: The reality is that there are so many single headed households and they're not going to go away anytime soon. So we need to help the households –

MS. HYMOWITZ: Okay, fine. But –

MS. MICHEL: -- that we have instead of the ones we hope to have in the future.

MS. HYMOWITZ: Right, but what do we know about how to help them if we -- and the assumption that you have that I don't share is that the government can do that, and I don't see any sign that it can. You know, if you tell me the programs –

MR. HASKINS: Next question. Next question. Raise your hand. Okay, there's -- right there.

MR. FINUCAN: First, I'm Jim Finucan, from Georgetown University. I want to thank the panel for a lot of good information on an important topic. But in terms of resolving it, you know, we're in the middle of an election season and in terms of both candidates I've heard an awful lot of references to the middle class, but the word poor and poverty I don't think has come up at all. The other question I have or point or observation –

MR. HASKINS: So what, the question there is why don't the presidential candidates talk about poverty?

MR. FINUCAN: Indeed, or what can we do to get the issue on the table? The other point, when the description of the talk was the effects of inequality, I thought we were going to at least have some references in not two quartiles, but the 1 percent and the 99 percent. Which I -- the quartiles I think, hide an awful lot of the discrepancies. You know, the top 20 percent just covers up what the top 1 percent –

MR. HASKINS: So let's deal first with -- let's deal first with, what do you do to get it on the agenda? How come the presidential candidates don't talk about it?

MS. SAWHILL: I would point out that it's

MR. HASKINS: You need to talk.

MS. SAWHILL: -- that it's pretty clear to me anyway, that when the political operations of either candidate or administration have tested what goes over well with voters and any poverty or a war on poverty or helping the poor, doesn't test well. I'm afraid that's just the case. And it particularly doesn't do well when so many in the middle class are struggling. So the way the Obama Administration for example, talks about it is to say, we need to strengthen the middle class and those who aspire to join the middle class. So that is their language for talking about low income families.

I would have to say having looked at some of the polling data and some of the attitudinal data, that they're right. In other words, you could argue that we elect leaders who should then use up some political capital to do and talk about what they think is right. But if you want to get re-elected, this issue doesn't play very well.

MR. HASKINS: Gary?

MR. BURTLESS: Three things about the middle class. It's bigger; there's a lot more of them. It votes more frequently, given the number of people in it and it's a source of revenue for the programs that help poor Americans to get by. So you know, it's not a very difficult calculation. Why do we talk about the middle class especially in a bad economy, more than we talk about the poor? Finally, actually I'm not so sure really under a comprehensive income definition that the poor suffered as much from the recession as middle class families did, in truth.

And a lot of people are more sensitive to losses than they are too happy about the gains that they achieve, and so people remember the losses that they sustain and that is another reason to address the concerns of the middle class. What about the top one percent? Why don't we talk about it here? We don't talk about it here because we're talking about the latest statistics issued by the Census Bureau and the Census Bureau doesn't do a good job of measuring the incomes of the top one percent. Rich Burkhauser with privileged access to the data can say something about that, but it's going to take him even a couple of years based on the data that are being released today, to talk about the top one percent.

If we were talking about the Treasury Department's release of income -- taxed income, well then, talking about the one percent is a very interesting and fascinating topic. This is not a good new data release for us to be talking about it. There's nothing about the top one percent in today's report.

MR. HASKINS: Even so, Wendell Primus, tell us your latest plan for getting the money from the top one percent.

MR. PRIMUS: Well, I would agree with the premise of the question. I mean, just look at it. I mean, it's hard for me to believe this to some extent. But here we've put out 100 percent federal monies for 3 years and all of that money would go to the Medicaid expansions, and we have governors saying, we're not going to do it. You know, we're not going to take federal money and ensure people below 138 percent of poverty. And we've also lost I think maybe permanently, a grant -- a 319 billion that was part of TANF that would help the very low income state -- the states that are getting the least money out of the TANF block grant. That's gone away because read governors haven't' asked for the money.

So I mean, you're right, but you know, I think this audience then needs to say, you know, those programs have made a big difference. It does count that we have all poor children insured, etcetera. We've got to celebrate what some of these programs have done and get that message out to the middle class because if the middle class understand it, the political leadership will adopt it.

MR. HASKINS: Next question. Yes, right behind you. How come all the questions are right in this one little area?

MS. FARLEY: I had a question around the plan –

MR. HASKINS: Tell us your name please.

MS. FARLEY: Anne Farley from Delaware. I have a question that -- how did you come up with the 138 percent versus 200 percent of poverty knowing that that would cover more households? And I just in terms -- I work in health and social services, so I was unclear as to that calculation and percent.

MR. PRIMUS: Well, as the ACA was being developed and we had to meet certain spending targets, etcetera, etcetera it was cheaper to put people on Medicaid than it was putting people in the exchange. So ultimately, that was kind of a political compromise. The 138 is we said everybody below that level should be covered by Medicaid and people between 138 and 400 should be covered by the exchange. But, you know, why isn't it 120 or 140? I mean, it was –

MR. HASKINS: You mean to tell me the Congress made a policy that wasn't based on some kind of computer analysis and came out with exactly the right answer?

MR. BURTLESS: But the computer was figuring out what the budget was.

MS. SAWHILL: How much money was there? Yeah.

MR. HASKINS: Okay, good answer. Next question. Right here.

MR. STEVENS: Guy Stevens, formerly of the National Poverty Center, University of Michigan. First of all, poverty is an income concept. There are many ways to raise people's income above a poverty line. Is it Miss Hymowitz? It is not a (inaudible) that you have to have to more two parent families. You can always get around that problem by giving people adequate income, getting them out of poverty. Yesterday, Mister Smith, perhaps a little hope, I heard one of the most right wing pundits Charles Murray say that he now was for some sort of guaranteed income -- national income, negative income tax. That was quickly dismissed by Jared Bernstein as impossible to get politically.

But Jared did say something which gave me some hope which was that there may be a possibility of getting more government subsidized job programs which will also raise people above the poverty line by work which is the mode at which we now think one must do this raising of income, not by things like previous to 1996. The question is political feasibility. There are many subsidized job programs that have been attempted under welfare to work and we can continue on those things, at least at small scale. We've done that already and we can continue and perhaps –

MR. HASKINS: So –

MR. STEVENS: -- build into scale. Thank you.

MR. HASKINS: -- panel, what do you think? Subsidized jobs?

MR. PRIMUS: Well, there was part of that in the Economic Stimulus Act. We had you know, the TANF emergency assistance, I think the Center on Budgets said it created 260,000 jobs. I mean, my answer to the Romney campaign is –

MR. HASKINS: Wait, can I -- let me just clarify it a little bit.

MR. PRIMUS: Yes.

MR. HASKINS: I think it's very important. The states were trying to create jobs –

SPEAKER: Yes.

MR. HASKINS: -- and so they made arrangements in the -- mostly in the private sector, to use government dollars to subsidize jobs in the private sector and thereby create 260,000 jobs. It's the motivation of the states that I think is the real point here and that it supports your position.

MR. PRIMUS: Right, but the point is, is that if we're really interested in work that was one way we did create 260,000 -- and I'll acknowledge, the governors are important. And so you know, I do think, you know, -- I mean, the other thing about this recession, the length of time or the percent of people who have been unemployed longer than 6 months, is double kind of, any other previous recession. And you know, at some point we may have to start thinking about creating a small cadre of public sector jobs, infrastructure, etcetera, and that can be targeted on the low income mothers as well as the low income dads.

MR. HASKINS: So Gary, you are a tremendous expert on unemployment -- all things to do with employment. Do you think that -- can you imagine that subsidized jobs would really be important and make a dent in the problem?

MR. BURTLESS: Oh, I think that they could, but the plug was pulled on this in the early 1980's. The heyday in the post war era of publically subsidized jobs was the 1970's. Basically, 1975 I think, to 1980 maybe. And it was very tough, I think. There were all kinds of political issues even in those five or six years. And then when President Reagan was elected, that was basically the end of subsidized jobs. I think a lot of people were surprised that the governors did not use, sort of, mandatory public jobs more during the era of welfare reform. I mean, Mayor Giuliani did and he was practically it, I think. It just was never very important even when states were given the flexibility to use some money for welfare to create these public mandatory jobs.

My reading of this is that the public doesn't seem to care one way or another and politicians have more reasons to oppose this than they'd have to support it because it creates some difficulties. If you create a public job, people would like that job to be doing something very useful and clearly worthwhile. But if it's useful and clearly worthwhile, then current public employees get a little nervous. You're putting a welfare recipient in to check library books or to take care of kids in preschool. Heck, I'm a trained professional. That's threatening my livelihood and that is I think a real problem. I don't know why we had a shortfall at about 9 or 10 million jobs. That's currently how far we are from having full employment in the United States, that's how many jobs we would have to create. I don't know why two million of them aren't filled with publically subsidized jobs, but I have not seen any push for that by democrats and certainly not from republicans either.

MS. SAWHILL: I would say a better solution is to give some money, to have another stimulus package. It's a dirty word, but the president did put forth one last year --

MR. HASKINS: Wendell likes it.

MS. SAWHILL: -- and Congress did nothing with it. But that stimulus package -- the new stimulus package, not the first one, gave money to state and local governments so they wouldn't have had to lay people off which they're doing to (inaudible) well right now. That would have saved a lot of jobs. There were other elements in that package that were oriented towards small business and other parts of the private sector and there were estimates of how many jobs that would create. And when you have a deficit as large as what Gary just cited, there's no way you're going to fill it with publically subsidized jobs. You've got to get the public -- the private sector going again, you've got to get state and local governments not laying people off, and we just do not have the political ability right now to do that because one party is totally opposed to it.

MR. HASKINS: And that is the last word. Please join me in thanking that panel.

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