

Production Transcript for Panel 6.mp4

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[Silence]

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>> Raphael Bostic: Good morning everyone. I'm glad to see so many faces back after really full day yesterday. We had some tremendous conversation that was interesting, thoughtful, and provocative. And I think it's a good setup for what should be a really interesting morning and some more conversation. And I would say that the goal for today is the same as it was yesterday which is for us to cover these issues in a conversational format so that we all feel like we're having a discussion on this. I think all the panels yesterday and the reception and the dinner very much had a lot of interaction, a lot of personal back and forth and I hope that you all found it enriching and interesting. I certainly learned a bunch and really have a whole lot of things to think about as we move forward. Today we have two more panels. The first is a panel that's really a two person panel, more like a one person panel and I'm just on for the ride.

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We'll hear Sheldon Danziger talk. We've asked Sheldon to do a bring it all together, what is it mean type of presentation to give his perspectives on what-- how should we think about all these panels coming together and thinking about a broad comprehensive strategy for trying to deal with the problem of poverty. And then we've invited three leaders of national organizations that have long histories of engaging in the policy space. And I thought it would be useful to talk or hear from organizations that have scale and scope and have been tackling this to get their perspectives on how they're thinking about approaching the problem of poverty, some of the challenges that they may be facing, and some of the things that they think we should be doing moving forward. So that would be the morning, then we go off to the weekend and some relaxation, but I hope that through the course of today as with yesterday that we put some ideas in your head to percolate for a while and get you to continue to think on this even when you're doing your bike ride or whatever it is that you're going to do for this weekend.

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All right, so that's the introduction. I want to again thank all for being here. I want to thank my partners at the Price Center for Social Innovation. Definitely, I want to thank the USC staff. You know, I've heard many comments on how well and how smoothly things have gone. That's a testament to them. And they all have done a tremendous job.

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[Applause] Jessica, that's you so thank you-- and Donnajean and Aubrey. So thank you all. So, let's go to the panel. We have the distinct honor of-- I have the distinct honor of introducing Sheldon Danziger. He is the President of the Russell Sage Foundation. I think all of you know who he is. He is someone who's written on poverty issues, he studied poverty issues for decades, has been a voice of clarity and of insight about how we should think about it, how we should approach it, and I can't think of a better person to take all of the innovative ideas that have been put forward and all the challenges and issues, and try to tell us what it means.

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>> Sheldon Danziger: What, I'm going to talk about at the beginning was work I did when I was a faculty member at the University of Michigan and coincidentally the project was sponsored by the Ford Foundation and the Russell Sage Foundation. So disclaimer, as president of the Russell Sage Foundation, I take no responsibility for the product. But it's interesting because in this book "Legacies of the War on Poverty," Martha Bailey and I wanted the book to be out for the 50th anniversary of the "War on Poverty" and we did that. It's also interesting that three of chapter authors are presenters yesterday, Ed Olsen, Harry Holzer, and Bobby Wolfe. So what Martha and I tried to do was to get the country's leading experts to focus on the research of the last 50 years because in our view, the War on Poverty has been misinterpreted most famously by President Reagan who said, "We fought at War on Poverty and poverty won."

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But also there's a current of that in some of the discussion yesterday about some of these policies are outdated and-- I want to try to make the case that what was at the core over the War on Poverty was at the core of our discussion yesterday. And some of the very things that are the greatest successes didn't get much discussion yesterday and instead, we did focus on areas where there needs to be a lot of innovation. And I think the broader message is it's easy for the federal government to do simple things. So, Greg Duncan yesterday proposed a simple thing, the child tax credit, which is a thousand dollars per child in which the Center on Budget tries to really get to all children, not just the children of taxpayers. Greg proposes that that be say 2,000 dollars for children who were 0 to 6.

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Now, if we had the political will, if we live back in 1964, where I'll start talking in a minute, that would be simple and that would be almost perfectly implemented because it's simple. Now, on the other hand, doing things innovatively for the formally incarcerated, that's very difficult. Raising employment and earnings which I'll talk about is very difficult because employers control the labor market not the federal government, so it's not a matter, and so I think that's one of the things that I drew from yesterday as areas in which the federal government can do things easily and areas in which there's particularly a role for state, local governments and particularly private nonprofits doing things on the ground that are much more complicated. And I would argue that what we do on the ground is much more complicated because it is much more difficult to do, and isn't really the result of the failure of federal laws although there are lots of federal laws and regulations that could be change that would make things better.

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But the difficult problems that we talked about yesterday would not be easy even if, you know, one of the things didn't get discussed yesterday that comes up is we have this crazy world of fiscal federalism where we don't fund schools equally but rich school districts have rich schools, and poor school districts are poor schools. But even if we have a Canadian or UK type national system of education, it would be very difficult to deal with the education or the housing or the employment problems we talked about. So that's a little bit of an overview. I wonder why since I didn't know whether I've had anything to say after yesterday. I have a little formal presentation based on the past but I do think it ties in to the discussion that I'll end my comments with and then I'll put the remarks. One of the key messages of the book is the War on Poverty did not fail but to the extent that poverty is high, it's high because the economy failed.

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Johnson, this is actually I believe from the Council of Economic Advisers not the State of the Union but it was the same report issued in '64, assumed that the economy was going to keep growing and economic

growth was going to continue to trickle down for the poor. So the idea was we lived in this economy in which we saw in the graphs that Richard presented yesterday, substantial declined in poverty before the War on Poverty because the post-World War II era was a golden age. By the way, it was a golden age of economics and I've had the good fortune of hearing two books coming out one by Andy Cherwand [assumed spelling], it was The Golden Age of Family Structure and Doug McAdam, a Sociologist at Stanford, it was The Golden Age of Politics. So, we didn't have the kind of politics we have today, which is fractured and dysfunctional, and we didn't have the family structure, which does have a role to play.

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But most importantly, we no longer have an economy in which a rising tide lifts all boats. Now one of the reason I wanted to go back to the War on Poverty is I think we heard almost all of these topics discussed yesterday. And these are the bullets in the 1964 economic report of the President-- Maintain high employment, accelerate economic growth, fight discrimination, improve regional economies, rehabilitate urban and rural communities, improve labor market, expand educational opportunities, enlarge job opportunities for youth, improve the nation's health, promote adult education and training, assist the aged and disabled. And I think we talked about all of them but assist the aged and disabled and in part because the War on Poverty mostly solved that problem. The elderly have a European style social safety net with health insurance and a guaranteed annual income that adjusts by inflation.

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As I said, this was a golden age in which the War on Poverty gets added on to an economy that's doing more and more for workers. And again, the last 40 years, the economy has been doing less and less for workers so rapid wage growth followed by wage stagnation, the spread of employer provided health insurance and pensions, the declined of employer provided health insurance and pensions, a minimum wage that rises relative to inflation, a minimum wage that falls relative to inflation, slowly falling income and inequality knot, rapid falling poverty knot. So, the other thing that links what we were discussing yesterday is it was the War on Poverty and the Civil Rights Act are really joined together at the same time. And there's this play on Broadway, I don't know how long it will last, Bryan Cranston from Breaking Bad plays LBJ and I think that's attracting a lot of people.

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But it's basically a three-hour history lesson which all the policy wonks I know who've seen it, who've loved it but I sat through it and said, "Boy, what if somebody who came to see Walter White playing LBJ going to think of this?" But it really showed Johnson's in the case of the play willingness to push for civil rights, and obviously at the same time, his willingness to link civil rights to the War on Poverty. And Martha Bailey who's an economic historian and my co-editor of this book makes this point and there's now a lot of research in which the Johnson Administration used the Civil Rights Act-- they used the War on Poverty's funding as a way to promote integrations. So you were a segregated hospital in the south, you couldn't get Medicare payments unless you integrate it and that was very powerful force in integrating hospitals.

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Now again today things are totally reversed. The Affordable Care Act will give states money if they expand Medicaid and half of the states said "No, we don't want your money." So I think if we have the Supreme Court of today in 1964 then neither the War on Poverty nor the civil rights initiatives would have been enforced and I would just say fiscal federalism went on discussion yesterday, but beware of senators saying that, "Poverty programs will do better if they turned back to the states." That's exactly not one wants to do. One might argue that the implementation is best done at a local level but one of

the key issues in the War on Poverty was state and local governments were trying to resist such radical things as bringing federal funding in to provide head start program for three year olds and that was not easy to do.

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So again we heard a little bit of this yesterday in the presentation. We lived in a gilded age of rising inequality, poverty is high, although I would say, and it's emphasized in the book and in other recent research by my friend in colleague, Jane Waldfogel and her colleagues that poverty would be a lot higher were it not for the War on Poverty programs but that it's the economy that is causing the problem. And the simplest chart I show is simply to look at the blue line. This is the era in which the War on Poverty was launched and the War on Poverty analyst Jim Tobin, a Nobel Prize winning economist at Yale and Bob Lampman at Wisconsin who was one of my mentors when I was a postdoc, they've observed this and assumed that the economy would keep growing and growth would trickle down the workers.

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Notice this is median earnings of full-time year round workers. So we're not talking about the unemployed or food stamp recipients or people who get welfare, but full-time full-year workers. And they would have expected this to be, I don't know, somewhere up around a hundred thousand dollars but they predicted that poverty would be zero by the 1980s. And people have done simulations which indeed show if growth had-- the growth we had had trickled down to be the median worker and to lower wage workers as it did in this period, poverty indeed would have fallen. And so, the notion that the median wage of full-time full-year workers adjusted for inflation is no different than in 1970. Now Harry Holzer will tell me I shouldn't use the census but I get what? A 10 percent gain if use your preferred price index?

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>> Harry Holzer: Something like that.

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>> Sheldon Danziger: Something like that so it would be 55 if I use Harry's preferred. But the point is this is why poverty hasn't declined, another simple, just this are like Rorschach test. When we say, a rising tide lifted all boats, all these bars are high in this golden age, quarter century, everybody just about has incomes adjusted for inflation that doubles. Here we get this lovely step ladder but that actually is what we mean by rising inequality with very small gains at the bottom. And even at the top, the 95th percentile which certainly has done much better than everybody else since the 1970s did worse in this period than before. And then one other one this is from Bob Greenstein colleague Arloc Sherman just saying that if we actually counted food stamps, rent subsidies, refundable tax credits we would show more poverty even-- less poverty and more anti-poverty effectiveness even using.

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So, at one level, the situation is better because these government programs aren't counted in the official poverty measure and the counterfactual things would have been worse without these programs because of this collapse in the economy. So this is the point I have been making. Skip over that. And again, we touched on this, in addition to the poverty and inequality, increasing changes in the labor market, there is a contribution to rising poverty due to rising incarceration rates, increase in single headed household and increase immigration of less skilled. But there also poverty decrease in

demographic changes which are often overlooked. Increase educational attainment particularly of women, increased work of women and reduction in the number of children.

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But if one does the kind of the decompositions that economist and sociologist do, one will find out the biggest effects are slow growth and rising inequality not the demographic effects. I'll just briefly leave this up on the screen 'cause I want to go to a discussion of yesterday's program. But the point of the book and a number of these are well documented in other research, but significant accomplishments in the lasting legacies of the War on Poverty. So let me leave history and come to where we are. And I thought that this is what we talked about yesterday if we would try to go over the five sessions and 10 papers.

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We had discussions about reducing barriers to quality education, healthcare and housing, in the same way, the poverty line measures minimum standard of living. We would want to do more to raise educational attainment, promote health and provide better housing. Raise employment and earnings, supplement low wages. The need for a safety net for the long-term disconnected, some of whom are people who would have been welfare recipients in a pre-1960-- 1996 regime. Some of them who have a hard time holding jobs because of the executive function issues that Donna Pavetti talked about. Some of them because they are formerly incarcerated, as well as in this case, the short-term unemployed, and the disabled. We also heard about the need of funds to pay for them and most notably yesterday, I would endorse Bobby Wolfe's proposal to pay for the healthcare changes she talked about by moving to reduce the tax subsidy for employer provided health insurance, a subsidy which is predominantly tilted toward those with relatively high incomes.

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And then we have a lot of discussion about how to implement policy changes effectively. So one of the things I tried to think about was why am I and other academics so pessimistic and why are the people working on the ground so optimistic? And I think we're both right. So I'll give you an example. I'm bad at remembering his name. Caribou? Caribow?

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>> Kabira.

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>> Sheldon Danziger: Kabira. So not Caribou Coffee. That's the best case scenario, right, of what you would like from private employers. Here's this bright USC graduate who is committed to hiring the formerly incarcerated and she starts a firm, and she's got this great idea. Here's this niche which is, you know, both a great environmental project. We're going to recycle trash computers. So it's just that's the model. And you'd like there to be one of these programs everywhere, right? So one of the problems is replication. When we try to replicate model programs, you know, there's something about her, there's something about Geoffrey Canada and the children's zone, Harlem Children's Zone, so I for one think it's great that we're going to try to replicate the Harlem Children's Zone, I don't know, in a hundred cities.

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But none of them are going to do anywhere near what the Harlem Children's Zone does because, you know, not everybody is a superstar. This is like saying, you know, the Lakers have Kobe Bryant or I guess

the Lakers used to have, the Kobe Bryant that used to take the Lakers to the championship but, you know, that's all you need. Well, that's right. That's all any team needs is Kobe Bryant and they'll be in the championship but they're not a lot, and I think that's the issue with-- that's why. And so Raphael has gathered up the world's very best innovators but that's why when Harry talked about the difficulty of replication even the example we heard yesterday, what I took away from this noble effort which I wish would be replicated, was, despite her intense devotion to this goal, she's had a 50-50 success rate and she had to layoff people.

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And for her to expand, what she's really looking for are the formerly incarcerated who actually got some of the skills. So this program will work for a subset of the formerly incarcerated. But it can't be taken for it to scale because of the reasons she told us that she fired half the people. And so I think that's the disconnect where-- and that, you know, it's OK to be pessimistic because you only work in your office and talked to other pessimistic people. That wouldn't work if you were actually in the field trying to implement the programs and to me, you know, the Kobe Bryant of poverty programs on the ground. The other thing that I came away with and I infer this and it's in part because we have a very selective audience here in the sense that I think everybody in the room believes that it would be a welfare increasing policy if we raise more government funds and targeted them on low income people.

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>> Audience Member: Well not welfare as a policy but welfare as economist, yeah.

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>> Sheldon Danziger: Well, I'm sorry. Welfare as economists uses it. Sorry. I'm a recovering economist but I-- in welfare economics. Yes, utility increasing. Yes. Well, so-- but we don't represent the typical American view and so what struck me as I thought about this and there were lots of great ideas. And so, you know, I could-- I actually wrote a number of them down. You know, we expanded preschool, K-12 school reformed, EITC expansion, child care subsidy expansions. Additions of healthcare coaches or technicians, reform of financial aid, more workforce development programs, things to promote housing stability and the quality of housing.

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And most of those cannot be done by simply taking money from existing programs. One could get some money from existing programs and I think Harry gave us an example. He knows a lot more about the details of this-- was it 47, we, our programs in the Department of Labor. If Harry was the czar of the Department of Labor, he could figure out how to get some of that money back putting the politics and its interest aside. We heard about the local housing agencies who might not like the idea of giving regional area vouchers instead of those specific ones. But most of the, I think public, has decided that government can't work, that the poor are different and don't want to work.

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And so that's the real problem. The problem is I would say, we as a country certainly relative to people in Canada, the UK, I won't even go near Sweden but, you know, Canada is certainly not that far from where I lived in Michigan every year, but they have different views about the role of government. And the best example of why basically I would-- I'll use now we as-- if I'm the median American, we really don't care is how else can you explain the hatred of the Affordable Care Act. What is it do? Basically, the goal of the program is to expand health insurance coverage to two-thirds, three-quarters of the uninsured. I know Manuel Pastor would say it's terrible. It didn't cover the undocumented immigrants,

but nonetheless, it's trying to do that. So why do we, the median American hate it? It's either got to be, we think those people newly covered are going to get to the doctor before us and we're going to have to wait longer or we won't get the services we want because there'll be rations so or we don't want to pay the taxes.

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So, you know, that's why I'm pessimistic. I was optimistic for a few months when the stimulus passed. When I saw the stimulus and I said, "Gee, all of these programs that would-- " and I'll leave it to the Bob Greenstein who worked on doing that, but the stimulus had an expansion of the EITC that expands sometime soon. The stimulus had the TANF emergency jobs fund. If you want to have a safety net for people who can't find job in the private sector, you need things like the TANF emergency jobs fund for all this long-term disconnected. Donna Pavetti mentioned it in her paper and has done research on it. That expired even though lots of republican governors liked it and used it to subsidize private employers. The stimulus bill had an expansion, and food stamps, and changes in UI. So I don't know. The good news is we had this terrible financial collapse that led us to see that there were safety net expansions that one could put in place, the Pell Grant.

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Does the Pell Grant expire, Bob? The Pell Grant.

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[Inaudible Remark]

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>> Sheldon Danziger: So it's one that doesn't expire.

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>> Bob Greenstein: As long as we keep funding.

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>> Sheldon Danziger: Oh, OK. In any case, there were examples in the stimulus of all the kinds of policies. And obviously now, it's the same thing the War on Poverty was a failure, the stimulus was a failure. And so Alan Blinder has a whole book. The next time we have a collapse, will we even get a stimulus bill? So my bottom line and then I'll stop is that I think it's wonderful that Raphael has brought together researchers, policy analysts, practitioners, people on the frontline, but there's probably a good reason why we don't get together so often is because people like me would depress you, would keep you from doing the good work you do everyday. So thanks.

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[Applause]

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>> Raphael Bostic: You raised a number of really interesting points. The stimulus is actually a really interesting point and I'm hoping we talk about that. In the next panel, just been how we got there and sort of things that we couldn't get done because I do think it speaks to some of how we view government, what it can do. But I wanted to just touch on two things and then go over to the floor. The first is your observation that the policies didn't fail, the economy did. And I want to ask-- yesterday,

there were a couple of points when we had IBM guy who was our proxy for the private sector. How do we get the private sector to be more present, and engaged, and involved in these sorts of issues?

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>> Sheldon Danziger: So that-- I would reframe that as what was it that led Gap to raise their wages when President Obama talked about a higher minimum wage? And I don't think Wal-Mart has yet accepted. Or what is it that, you know, various billionaires have taken-- I don't know the name of the pledge but Buffett and Gates, and a number of billionaires have made this pledge basically to give their money away to promote the public good and I don't think the Koch brothers have signed to that pledge.

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>> Raphael Bostic: I'm guessing they have not.

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>> Sheldon Danziger: So, you know, what our friend from IBM did say is that there has been a lot of labor saving technological change that has reduced a lot of jobs that used to pay well. I think there's also been-- and this is-- I'm now treading outside of an area that I speak as a researcher but as somebody who's been reading things. There's a change in work norms or pay norms that allow corporate boards to at the same time relentlessly hold down wages and relentlessly increase executive pay. So, you know, firms-- so there are firms, we the small firm yesterday that wants to recycle electronic using the formerly incarcerated as workers.

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It would be great if there were ways to get thousands of more firms to do that. But I think the problem is, you know, it's-- when I said to somebody recently, it would be nice if more firms operated like Costco rather than Wal-Mart, and somebody said, "Well Costco is a little worried that Amazon and Wal-Mart together might threaten this model that they pay." So I think it would be great to encourage more business but I think you do more with raising the minimum wage and raising the top marginal tax rate and treating carried interest as ordinary income, you'd raised a lot more from that than you would from inviting some business to the table. But inviting business to the table is important because you can make a lot of progress at the micro level that's what I was emphasizing about high quality local programs that we heard about.

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>> Raphael Bostic: So I'm glad you said that last part because, you know, I do think that there are local realities for a lot of firms where if the poverty issue was embraced by them they can actually reduce their cost structure and they can actually be more effective. But we don't-- I don't feel like there's a big enough body of evidence that we can bring to people and say, "If you do this, these are the good things that will happen." And I think this is a charge that we all need to as researchers think hard about how do we do that, what are the examples, where that's planning out. The other question I had in the private sector area was about Kabira and her company, and it's a 50 percent success rate. 50 percent is better than zero percent so--

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>> Sheldon Danziger: Yup, yup.

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>> Raphael Bostic: -- So for me, you know--

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>> Sheldon Danziger: Half full, half empty.

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>> Raphael Bostic: Half full, half empty, sort of deal, right? I try to be on the full side. But do you think that-- the thing I thought was interesting about Kabira was that she looked out to the business landscape and said, "There are places that are not being served that there's a natural match up for." Do you feel like we do enough to encourage people to look that way? And are there things that we can do to try to create more innovative opportunities that sprout up all over the place?

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>> Sheldon Danziger: Well, you obviously doing something right here She said she came to the Price school to do this so you'd like to do that.

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>> Raphael Bostic: I didn't get in for that.

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[Laughter]

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>> Sheldon Danziger: I've been in universities long enough. But, you know, again, it reminds me of the War on Poverty era, many more or a greater percentage of students were going into professions because they want it to do some good. Now, I've taught in the school of social work. I've taught in the school of public policy and a lot of the students today still want to do that. And the undergraduates go to Teach for America and people still go to the Peace Corps but a lot more of them want to go Wall Street and finance than was the case. So there's-- that's also part of I think this changing culture. Was it Zack the community organizer? I don't know whether he's still here. I know there are organizations that come to campus to try to recruit undergraduates to become community organizers and my expectation is they're having a harder time recruiting students to do that today than what was the case in the War on Poverty era.

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>> Raphael Bostic: So that's-- it's interesting. I think, you know, I think about business schools is a place where this debate is playing out and I think Wall Street is winning less often than it used to. And to me, that's encouraging. I think USC, we just started a new program and I think they're calling it Social Entrepreneurship which is designed to do this. Our school has a program, a non-profit management leadership, trying to create some avenues to get more people to be aware of that. But I do think that you're point that we need to lift up the range of jobs that could be appealing is actually a good one and maybe we should think about how we do that more effectively. I've talked a lot about, you know, we've talked a lot about incentives generally through the course of the day, and maybe there are some incentives that we could do in academia to get students to go more and at least consider these things more seriously.

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So I think your point is well taken. We should go to the audience to make this a conversation.

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>>Robert Price: I have a couple of comments. First is as a co-founder of Price Club and also a friend of Costco. I want to take a little issue with your comment about the wages between Costco and Wal-Mart. The business models are totally different. Wal-Mart employs about twice as many people per 100,000 dollars of sales as Costco. If Wal-Mart tried to use the model of Costco they would end up with the number of employees Costco has which means a lot more people would be out of work and Wal-Mart serves a lot of people. They didn't get to be number one by being ineffective, so a lot of people are benefiting from Wal-Mart's business model both employees and customers. So I think the issue of Wal-Mart versus Costco is a little bit overstated. But I have another thing I want-- I don't know if I'm the oldest in the room but I'm probably pretty close to it, and I was in college when Lyndon Johnson's Civil Rights Act was passed and the War on Poverty came the year after I graduated in college.

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My recollection of conditions at that time whether it was Appalachia or other parts of the south or throughout the country, my recollection was that poverty-- I don't know about the numbers, but the poverty was far more grinding than it is today, and that there's been enormous progress versus what it was like then. Not-- we haven't solved it all, a lot of progress. The second thing is when you look at the political situation, you had a president who had enormous skills and was able to-- because he had been a very effective senator was able to get-- and the death of President Kennedy-- he-- it was a unique time and Martin Luther King, there was a unique time the Supreme Court was in a the position. But this president as much as we like him, I think blew it, and I think he had a mandate in 2008 and he bet it all on ACA which is done a lot of good, but I think he miscalculated and I don't think he used his mandate as well as he could have used it.

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>> Sheldon Danziger: So let me quickly respond. I would simply say that if Wal-Mart raised its wage, someone, and the family fortune were somewhat lower, I don't think it would have devastating employment effects. I don't know enough about the business model, so the example you gave. But I suspect Wal-Mart could do what Wal-Mart is doing with slightly less profits if it did better by its worker. The second point, you're exactly right and that's part of the success of the War on Poverty is the massive expansion of food stamps and Medicaid for one have dramatically changed the nutrition and access to healthcare of the poor. So the absolute standard of living of the poor today certainly doesn't have the deprivations it had 50 years ago, but there are also a lot more people, we're probably talking about 40 percent of the people whose living standards, ability to pay for rent, and other things are lower than they were on the 1970s before the economy recession.

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And on the politics I have nothing. I'm not an expert on that. So I will-- maybe Raphael who worked for the President--

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>> Raphael Bostic: Yes. I work for the president.

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>> Sheldon Danziger: Or Bob Greenstein who is involved will have something to say about that.

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>> Raphael Bostic: So I'm guessing that lot of people have opinions on the political context for today. I will say that the beginning of the administration, the depths of the recession drew a lot of energy that required a considerable amount of capital. And that capital could not be recreated because of a lot of the discussions around stimulus which tried to advance some of these issues but do it in a way almost so that people didn't really notice that they were being advanced and it's really I think-- then the Congress changed and Washington has been very different since then. So the environment has made a big difference. There was a lot that's been done that the administration accomplished. I think they should be saying a whole lot more about that personally. But we can have more of the discussion, maybe we'll have another conference on that. If Jack and Robert if you want to go there so.

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>> Daphna Oyserman: Daphna Oyserman, University Southern California. I'm delighted to be here still even after your depressing talk. I think--

[00:43:56]

[Laughter] Apparently, inappropriately in the academic side 'cause I'm optimistic, I think that one of the things that we haven't really talked about enough is that people in the private sector like anyone else, you're not in it for the philanthropy of it. And so even if it would be in your long-term interest to have better roads, better schools, cleaner air, healthier people, and people who had more money in their pocket, in your short run, if no one makes you do it, there's no need to pay more. And I think the laws have changed. So we have-- we were in a situation where people where the minimum wage was not something that was being fought over as much and now the wages have gone down. They've gone down because minimum wages hasn't been changed. That's legal thing. That's not a private enterprise choice thing. Wal-Mart would pay more if they needed to pay more. Even if I think the evidence is that if you look across states, the states that raised fast food workers raised their minimum wage, A, they attract more workers, B, their workers stay longer.

[00:45:02]

So it's actually is in your short-term interest as well, at least it doesn't hurt your bottom line. So I think we have the evidence but it doesn't matter because people aren't entirely rational actors. And if right now I can pay less, I'll do it. So the laws do need to change and that is a structural kind of a thing, first. And second, I don't think that it's used to be the case that if I stole your pension, I wouldn't go to jail but the law has changed and now I can steal your pension and I won't go to jail as long as I'm your boss. If I'm a private citizen and I steal your pension, I probably still will go to jail. So, I think that there's that other piece to it when we think about the structural things. Yes, the economy failed but the economy failed in part because we chipped away at the legal structure that would have prevented some of those things.

[00:45:46]

>> Sheldon Danziger: There's a new Russell Sage book out called Private Equity by Eileen Appelbaum and Rose Batt which talks about these issues so the book will be out next month.

[00:45:56]

>> Carla Javits: So I've-- one thing I really have appreciated is sort of you give a very optimistic view in a way of what did happened with the War on Poverty. There's, you know, there's a counter argument going on that's very pessimistic, so you offer a very optimistic argument. So just trying to maybe look at the picture slightly differently., I'd make a more optimistic argument about what's happening today, I mean kind of as you said stereotypically since I'm on the ground. But I would say a lot of the innovation

does bubble up from the community level and in that sense I wanted to make three quick points. One is, you know, we saw some incredible talent yesterday, Kabira and Angela. So there is an incredible talent and I think more and more we are seeing people who combined a business sense, community organizing, and care about the issues that we're talking about. And I think Net Impact for example which is an organization that does organize people from business schools, young people from business schools who are interested in social issues has grown from like a few hundred people to I don't know how many-- but thousands and thousands-- these are huge, huge, you know, events that they put together.

[00:47:02]

And those business students would like to do something in our community, and I think more engagement is important for a whole range of reasons. And I think that focus that Angela talked about of mobilizing communities to bring their own resources to the table and feel like agents of change is something that was did exist in-- during the War on Poverty era kind of faded, and so I think that's happening in the different way now. Second, just on the point about these businesses, you mentioned Kabira and we wish there were thousands more. There actually are hundreds more and they're employing hundreds of thousands of people. What we need are thousands employing millions of people. But I do think there's an interest both in the for profit community. I mean we certainly see that. We see that in the work we do, and then the nonprofit community to start more of these double bottom line businesses. And some of them are having more success and I would-- an interesting example is there's a Women's Bean Project in Denver, they employ women coming out of prison, and they were having the same trouble with the success rate in terms of keeping people, placing people, and they developed a whole new mentorship program with high level managers, HR professionals.

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And they actually, they had set a goal of something 90 percent getting a job and they went to a 100 percent getting a job, keeping a job. So I do think there's a lot more promise in some of these models and we sometimes give them credit for and even promise for scaling up these models in a partnership with the business community and government. And then I just wanted to challenge maybe around the research agenda that you mentioned. There's the-- The Hitachi Foundation has gone around and looked for private sector companies that are good to their frontline workers, pay them decently, and advance them, and train them, et cetera, and beat the market on profitability. And they found in certain sectors some of these businesses and they have begun to research them and highlight them. So I would just challenge maybe the more mainstream researchers to really start to look at these questions about, how we make a case, business community is very powerful in this country, to the business community that it's in their interest to do something about these problems. And what is it that they can do in line with, you know, their business models.

[00:49:16]

And I think you raised a good point earlier about-- even about Wal-Mart. Thank you.

[00:49:21]

>> Alan Berube: Hi. I'm Alan Berube from Brookings. I guess I wanted to get-- just build a little bit on Carla's comments. I wanted to get Sheldon's views on, you know, I think if you look around the country, there are states and there are cities that are making progress on one, and two, and three, not so much four on your list maybe. So what, you know, from the standpoint of academic research or philanthropy, do you think we should spend more time focusing on state policy and local policy and making progress against poverty? I guess next we'll hear from-- I mean Bob Greenstein did this with the state fiscal

network. Casey does this with KIDS COUNT. I mean is this a time for us to just for at least for this part of the cycle to shift our focus to the state and the local level and try, make progress in the places where we're not making enough progress, and then hope that that will come back eventually to Washington. I wonder what you think about that.

[00:50:21]

>> Sheldon Danziger: Well, certainly if you're interested in pursuing the health delivery changes, Bobby suggested yesterday, the states that adopted the Medicaid option are the likely places to go and that other states are not. So, you know, it's always been the case that there are model states. The whole issue of the War on Poverty was there are a lot of states that aren't going to do anything. And my worry is if you say, "Oh, the states will do a much better job if you give them food stamps or you give them the Medicaid money is it will be a disaster for the low-income people in number of the states and it might improve things on the other states but that we know that if they're not federal guidelines and mandates that a lot of the states are going to figure out a way to displace what they're currently doing and divert the food stamp or the Medicaid money to other things.

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>> Alan Berube: Yeah. I think, I mean, I guess it was less an argument for turning things over to the states than just focusing on the places that, you know, finding the funds to pay for one and two and three and four in new and interesting ways. I do think-- I mean I think that's always been the case but maybe it's more so now and there's going to be a lot more of that in the near future.

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>> Sheldon Danziger: Yeah, and certainly, they're on the minimum wage. That's the case. Their states are going ahead and some states are doing it.

[00:51:56]

>> Harry Holzer: So two points I want to make. There's been a lot of talk about employers in the labor market and I think some of it is incorrect or not. So I want to make two comments about it. I think these forces of technology and globalization, have really fundamentally changed the way this labor markets operate in the sense that economists talk about this markets becoming more competitive. And in those markets-- I mean well, 1940 to 1970, so there was this very unique period but you had all these oligopolistic industries. It was very easy for unions to push up wages, the firms would pass them on the higher prices, consumers have nowhere else to go-- great. That's great. Except now, consumers do have other places to go. You're not limited to-- you can go in the internet and buy products from all over the world. That changes. And employers have so many more choices. So this notion-- I mean economists have this phrase, it makes these demand curves more elastic. I apologize for the-- for using that kind of, you know, language but it's true, and in that model the notion that we could just raise minimum wages. Why stop at 10? Let's go to 15. You know, it's not true, there are tradeoffs.

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I support an increase minimum of wage to 10 dollars an hour. Congressional budget office is right, disposed the tradeoff. The vast majority is-- they're still would this-- their best guess is that half of million jobs loss. I'm going to make that trade but a half million jobs loss isn't trivial. So I think we should stop saying, or we can just do whatever we want in terms of-- there's still tradeoffs, maybe we should make them differently, right? I think that view of the labor market I think is important to keep in mind. Secondly, I want to talk about these high road employers because I have studied them and we've talked about them a lot in economics. There's always been high road employers who choose to take a

high road, high wage, high investment in your workers. And it's not, you know, it's not of out of a philanthropic sense in the part, they have made the business model work. That's correct. But I agree with Mr. Price, it doesn't mean every firm can do that, right? They often do have a different customers set. And frankly they're more choosy at the front gate. You know, if they're going to make investments in workers, in their training, and their productivity, they're going to be a lot more choosy who they let in the door in the first place. So it's not going to help a lot of the populations we talked about yesterday.

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Now, I would like to see more of those firms. We've never had a policy, the federal policy of trying to encourage more firms to go that road, providing them with technical assistance, maybe tax credits, and maybe we should try that. I have no idea how it would work out when we're going to try that, but, you know, again let's be cautious about this notion that we can-- that every firm can just go that way and therefore, those firms have to be competitive in the markets they're in that we can encourage more of that. That's the challenge, I think we'll be facing.

[00:54:27]

>> Sheldon Danziger: So I would just say Harry, the other thing about the CBO report that doesn't get enough attention. So, yes it's a half a million jobs but it's 17 billion dollars of increased income to families that have incomes below three times the poverty line. And so where else are you going to get that, right? No, I right--

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>> Harry Holzer: No, I said-- but there's just-- I said no. This notion that it's a win, win, win for everybody I think--

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>> Sheldon Danziger: And I certainly wouldn't want to imply that.

[00:54:55]

>> Sherry Bahrambeygui: Hi, I'm Sherry Bahrambeygui with Price Charities. I just wanted to make a pitch for having more Mr. IBMs attend this conference. And I think it's important because really what this conference is intended to do as I understand it is to show how this is a multipronged approach that needs to be taken in order to address this very complex issues just like when we talk about place-based initiatives and areas like City Heights and other areas that were discussed here. It's not a one size fits all or one approach that's going to solve it. It's got to come from all segments of society. And so to have Kabiras here and the Mr. IBMs here who can understand. And from different perspectives, I'm not putting them on the same plane but to understand what the challenges and what it takes. Each one can go back and find in their own way how they may be able to contribute to solving this issue and going back to what the comment were made by gentleman yesterday about how all of us have to sort of change the way we look at things.

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Each one of these people can go back and try to find how their business consistent with their own culture and their own model and their own responsibility to remain a for-profit business can make a difference on a social impact. We've seen it in the funds for example that have been created for people who won't invest in tobaccos, tobacco businesses. I mean there are things that can be done on the for profit side different but can also help move the tide in the right direction. So I think bridging what we're

doing here with more what the for-profits are doing and having that interchange is very important for the future.

[00:56:42]

>> Raphael Bostic: So I have no disagreement with that. And we've already had conversations about round two. So we will definitely work on that.

[00:56:50]

>> Jack Knott: I'm Jack Knott, Dean of the Price School of Public Policy. I just want to say first of all, I haven't been able to attend the whole conference but the parts that I've attended I've really appreciated it and enjoyed. I find it incredibly stimulating both from understanding where we are and where we should head. So I want to make that a point. There's something that you mentioned Sheldon in passing. And I didn't-- The sessions that I had attended didn't mention it at all. So it might have been mentioned somewhere else, but that's the tax structure. You know, we-- One of the things that I think is implied in a lot of this is about the enormous inequality of income. You didn't quite show that in your graph. You have the top 20 percent. But that difference would be even much greater if you took the top one percent or the top five percent. Those steps get much, much, much more steep.

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And it's not that I'm in favor of increasing the marginal tax rate necessarily on individuals but when you have people like Warren Buffett paying less taxes than his secretary or you have corporations like Apple being able to move funds to low tax places in the world so that they don't pay that much American tax relative to what you would think they would pay, et cetera, it seems to me that the tax system is an important element here that we haven't discussed as much. And it's-- I see it as somewhat fundamental partly because European countries I think do better on these measures partly because they take universal social insurance approaches. And that's politically more palatable because you include lots of people.

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And you know, if you give everybody money if they have a child and things like this, and they've been able to extend this support by that political strategy, almost all that I've heard here has been more around targeting even more money on just the poor and that is a hard strategy given the attitudes that you discussed that the average citizen has. There's not even a lot of people politically that are going to support that and I think the Obama administration ran into that problem. And so, this kind of grand strategy that includes taxes or more of a social insurance approach is something that I'd appreciate any thoughts you might have on them?

[00:59:38]

>> Sheldon Danziger: Well, I assume Bob Greenstein will tell us something about the tax system. But I was simply referring to, you know, minor-- you could make minor changes in the top marginal tax rate. There's corporate tax reform. There's a whole set of issues. But basically the progressive-- the progressivity of the federal tax is lower than it was 40 years ago and many states still have very regressive taxes. I'm thinking of Kathy Newman's book about taxing food with the sales tax in southern states and things like that so.

[01:00:13]

>> Manuel Pastor: Manuel Pastor and I wanted to nuance one thing and then ask a question. I wanted to nuance that I've actually do support the Affordable Care Act as a parent whose son is a musician.

[01:00:24]

[Laughter] Whose backup career is as an actor.

[01:00:29]

[Laughter] I've been deeply appreciative of the development of the private health exchanges with subsidies so. And the point I was simply raising was that sometimes we get irrational about designing these because of xenophobia or anti-immigrant concerns. And actually gets to the second question because I thought at the end, in the way, Sheldon, you left us a little bit off the hook that is that researchers are working on this stuff that what really matters is perceptions and politics. So what research can we bring to bear about shifting perceptions? What do you think would be the most useful things for people to be working on, you know, I was struck by the way in which the city of San Antonio with business support passed a Pre-K tax to tax to support universal Pre-K. There's-- So how do we begin to understand when perceptions change? What kind of research do you think would be useful in that regard?

[01:01:26]

>> Sheldon Danziger: So again, that's an area in which I'm an observer not a participant. And I think Patrick McCarthy and Annie E. Casey Foundation, has it been 25, 30 years you've had the KIDS COUNTS?

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>> 25 years. >Sheldon Danziger: Twenty five years. And so what KIDS COUNTS tries to do is to focus on states like, "Look, we need to do a better job and I'll leave it to Patrick to say how they've managed, you know, Bob works in the states, but some of it is it's easier to do this in Minnesota and Massachusetts than it is in Mississippi. And one doesn't need to be a rocket scientist to figure out why that is. But actually the Russell Sage Foundation does provide grants to political scientists who study attitude formation on all the issues that we're talking about. But it's not an area that I'm familiar with myself.

[01:02:26]

>> Raphael Bostic: I'll have a last word. To me, I think this is an important issue and really on two fronts, one, part of what we've been trying to do through the course of the two days is find evidence that there are things out there that work, all right? And let's do more of that. I think we have an obligation as researchers to do a lot more of that and then find ways to talk to regular people about it. And to-- in addition to having more Mr. IBMs, we need to bring more regular people into the room as well. So they understand these issues. And then the second is really about transmission of values and principles. I'm thinking about how they've evolved over times. If we understand that then we can start to understand how it evolves back to where it needs to be, so that we get a majority of people who are willing to make sacrifices to do these things.

[01:03:29]

Because I think Harry is exactly right, it will not be costless on us to make progress here. And we need to be out front about that but we then have to turn around and say it, "But the cost is worth it," and that's the conversation and we all have to be able to internalize that. Please join me in thanking Sheldon for leading an interesting conversation.

[01:03:51]

[Applause]