



COMMUNITY ADVOCATES

Public Policy
Institute

Packaging Policies to Reduce Poverty

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I want to congratulate and thank Governor Jim Doyle for making possible this important conference on “Building Bridges to Family Economic Success.” For over six years during fiscally tough times (especially these days), Governor Doyle has done much through his budgets and other initiatives to offer the poor a helping hand, from preserving and expanding Wisconsin’s supplemental state Earned Income Tax Credit (EITC) to creating BadgerCare Plus and extending its coverage to childless adults. It is a tribute to the Governor’s commitment that he went to the National Governors Association to obtain support for this conference, and has stood with us from early planning to final delivery.

I also want to commend and thank Secretary Reggie Bicha for his dedication to the success of this conference, and for the hard work and true creativity that he’s invested in making this conference a success.

I also want to commend and thank the many people working for Secretary Bicha in the Department of Children and Family Services, particularly Jane Penner-Hoppe—as well as those from other agencies of Wisconsin government—and also the many individuals from local government, non-profit organizations, and the private sector—who gave so much of their time and thought to organizing this conference.

Thank you, all.

Starting Premises

As we near the end of this excellent conference, we should remember the premises from which we started. As T.S. Eliot wrote two-thirds of a century ago:

We shall not cease from exploration
And the end of all our exploring
Will be to arrive where we started
And know the place for the first time.¹

So let us return for a moment to the major assumptions on which our work rests.

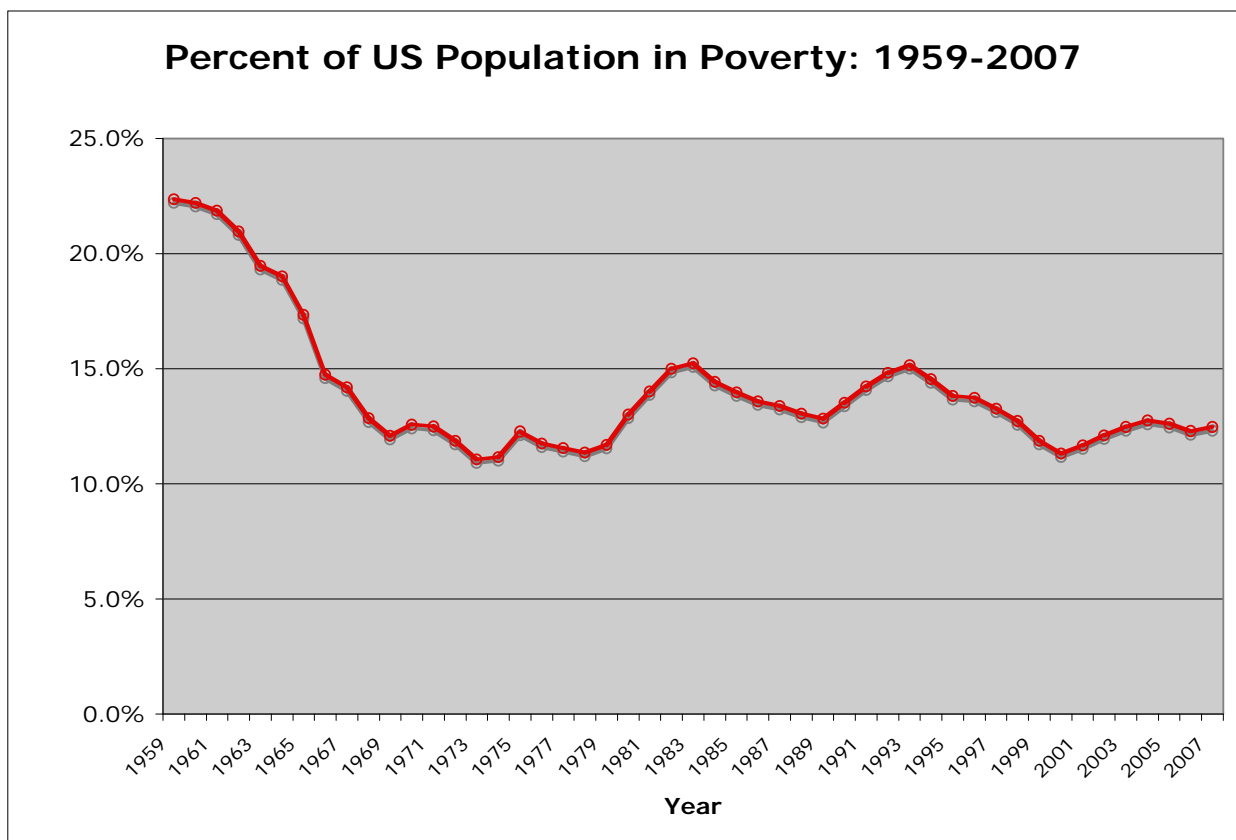
¹ T.S. Eliot, “Little Gidding,” Four Quartets, 1942.

The sad fact is that many view the massive, widespread poverty that we experience in the United States as inevitable and unsolvable.

The reality—which is our other starting point—is that poverty is not inevitable. It is not intractable. We can solve this problem. Poverty can be driven down. It can be driven *way* down. If we put in place the right “policy package” at the federal, state, and local level, we can reduce poverty to a residual level—and keep it there.

America’s Former Experience of Declining Poverty

Poverty fell steadily and dramatically in this country for three decades, from 1945 to 1973. By the end of the 1950s, the official poverty rate had already fallen to about 22%. By the mid-1970s, the official poverty rate had been cut in half, down to 11%. (See chart below.)



A unique set of historical circumstances and public policies contributed to this remarkable progress. American consumption and investment dominated the world’s markets, because our World War II allies (Britain and the U.S.S.R.) had suffered enormous harm, our wartime enemies (Germany and Japan) were in ruins, and our economic rivals of the future (Taiwan, South Korea, India, and China) had not yet emerged. As Milwaukee Mayor Tom Barrett puts it, anyone with a strong back and a working alarm clock could get a job. The nation’s investment in higher education through the GI Bill dramatically improved the productivity of the American workforce, and city-to-city expressways helped to cut production costs. Improvements in Social Security benefits also helped. Despite the curse of legal or *de facto* racism throughout large sectors of American society, the rate of poverty fell steadily year after year.

The fact that poverty stopped falling in 1973, and has not fallen further during the subsequent three decades, does *not* mean it *cannot* fall further. The “poverty plateau” we’ve been stuck on between 1973 and today simply tells us that we haven’t been smart enough—and committed enough—to put policies in place to drive poverty down to a residual level. Just as poverty declined dramatically in the past, it can decline dramatically again. In a nation as wealthy and inventive as the United States, there is no good reason why we can’t drive poverty down to 4%, to 3%, to 2%. We can do this.

Pathways to Ending Poverty

To achieve this goal, I would like to put to you a simple proposition:

The key to driving poverty down to a residual level—to, say, 2%—is to systematically put together, test, enact, and implement a “package of policies” at the federal, state, and local level that common sense, plus evidence about what works, tells us will succeed in greatly reducing poverty.

The “policy package” should have two anti-poverty targets: (1) reducing the *current* poverty rate to a target residual level, and (2) reducing the odds that today’s children will end up poor when they become adults.

Why Policy Packages?

Before going further, I’d like to briefly address the following question: Why does driving down poverty to a residual level require different policies to be “packaged” together? Why do we need a “policy package”? Why won’t a single anti-poverty policy do the trick?

The answer may be obvious, but it is worth dwelling on for a second. Unless we decide to tackle poverty simply by handing over to everyone who’s poor a lot of cash with no conditions attached—a proposition opposed by the vast majority of Americans, and a policy that I believe would have all kinds of pernicious effects on workers, their children, and the labor market—we have to acknowledge that the poor fall into so many different groups that a single policy will never work. The individual with a severe disability who cannot work, the retired senior citizen who has worked a lifetime, the unemployed job seeker who’s desperate to find a job after trying for weeks or even months and who doesn’t qualify for UI, and that person’s next-door neighbor who’s working a job and a half at the minimum wage and still can’t pay the rent—these major groups of the poor are so different in their economic and legal circumstances that a one-size anti-poverty policy will never fit all.

Furthermore, while policies calibrated today to lift low-income adults (and the children now living with them) out of poverty will solve the “situational poverty” problem, we need an entirely different set of “intergenerational” policies centered on low-income children to reduce the risk that they’ll return to poverty once they mature. In short, the nature of poverty in America is too complex to permit a single policy solution. Only a combination of policies—a “policy package”—will work.

Why a Systematic Approach?

The next question, then, is why does constructing a sound “policy package” for greatly reducing poverty require a systematic approach? Why not just “do it”?

The answer is: We really don't know yet what "policy package" will actually lower poverty to a residual level and significantly reduce intergenerational poverty. We have a lot of good ideas. We have a growing body of evidence. But we still really don't know which "policy package"—comprised perhaps of six or seven or eight major policy changes—will drive down poverty in Wisconsin from 11% to, say, 2%.

And we can't afford to mess up.

To drive poverty way down, I believe it's essential that we do not go about it in a disorganized, scattered manner. We dare not put our trust in mere hopes. We must avoid unruly methods of reaching conclusions. We must drop old habits of avoiding evidence in making recommendations. Above all, we need to refrain from putting forward disjointed proposals that don't add up or hang together. And we must be sure that we don't confuse reducing poverty itself with leaving poverty in place but addressing its symptoms.

Rather, if we're truly serious about *ending* poverty this time 'round, we've got to be:

- Systematic—putting together in a single package all the major policy changes that will interact with each other to achieve the goal;
- Evidence-based—paying attention to the best evidence available about what policies actually work either to reduce adult poverty or to diminish the odds that low-income children will become poor when they mature;
- Rigorous and inclusive—carefully testing alternative "policy package" options through conversations with the poor themselves, dialog with local and national experts, and reliance on computer-driven analytic models—until we can confirm that we have a final "policy package" that does the best job of lowering poverty, generating the most positive side-effects (such as reduced crime, less domestic violence, and improved health outcomes), at the lowest net cost, with the fewest possible unintended negative consequences; and
- Committed—taking the "policy package" that emerges and steadily, over time, changing federal, state, and local laws, budgets, and regulations in order to implement it.

This, I believe, is the pathway for ending poverty. I do not claim it is an original idea. The Center for American Progress, its partners in the Half in Ten Campaign, and numerous other national and local initiatives, have said much the same thing. The task before us then is to do it—to go down this pathway with determination and energy until we get the job done.

The "Pathways to Ending Poverty" project that the Community Advocates Public Policy Institute launched late last year specifically seeks to help move Wisconsin forward in this direction and in this manner. Funded in part with a grant from the Salvation Army, this initiative will:

- Create a realistic poverty line for Wisconsin and Milwaukee. The current poverty line, dating to the early 1960s, is no longer valid. With the help of Steve Holt, who has written extensively on poverty issues for the Brookings Institution and other groups, we will examine alternative poverty measures developed by the National

Academy of Sciences, look at what New York City did in creating its own poverty line, and recommend the best measure for Wisconsin.

- Establish a specific goal for reducing poverty in Wisconsin. Our current goal is to reduce poverty from the current level of 11% to a residual 2%.
- Determine which “policy packages” of changes in our current systems of need-based or work-based assistance, social insurance, incentives and investments are likely to get Wisconsin to the residual 2% poverty goal. We will look at what the evidence says as we put together alternative combinations of policy change. We will also consult with a number of local advisors such as Julie Kerksick, Sheri Johnson, Marc Levine, Karl Scholz, Tim Smeeding and Don Sykes; and national experts such as Gordon Berlin, Greg Duncan, Peter Edelman, Eboni Howard, Mark Greenberg and Mark Rank.
- Retain an independent, analytic organization, most likely the Urban Institute, to test the 3-5 most sensible “policy packages” to confirm that they reduce poverty to a residual 2%; quantify estimated costs; and assess likely positive side-effects (e.g., on crime, violence, family formation, and above all on health outcomes) and unintended negative consequences. This is the heart of the project.
- Communicate to local and national policymakers the results about which “policy packages” do the best job of reducing poverty to a residual level, at the lowest cost and with the best side-effects.

Time and space do not allow me to elaborate here on which specific “policy package” the initiative will be testing. And it would be premature for me to tell you exactly which “policy package” will emerge from the rigorous process of vetting and analysis I’ve just outlined with the highest marks—that is, as the “policy package” to pursue.

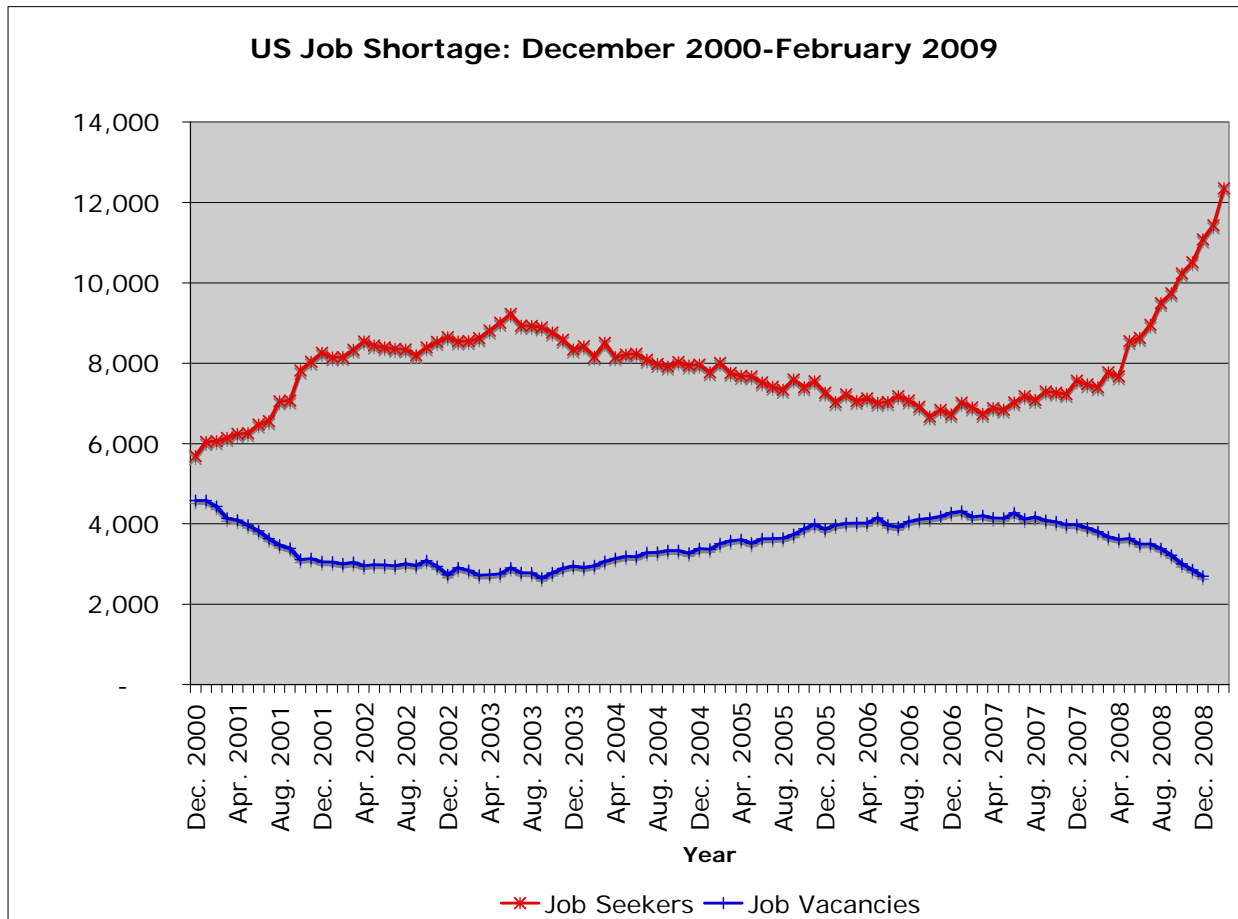
The Role of Public Policy: Tackling the Three Economic Imbalances

But I believe it would be appropriate, at this conference, to tell you about the *overall direction* that I believe that *any* “policy package” that seeks to greatly reduce both today’s and tomorrow’s poverty (both situational and intergenerational poverty) must take.

Before doing so, let me make clear that I strongly believe that individual responsibility, good parenting, involvement in religious organizations and community groups, and other “non-policy” efforts all have an important role to play in tackling poverty. I also want to emphasize that, as long as poverty remains in our society, we have a moral obligation to address its major symptoms—to make sure that the hungry are fed, the homeless (or would-be homeless) are housed, and the sick get medical care. And we must never, ever give up our fight against racism—whether overt or subtle—as we formulate the optimal anti-poverty “policy package.”

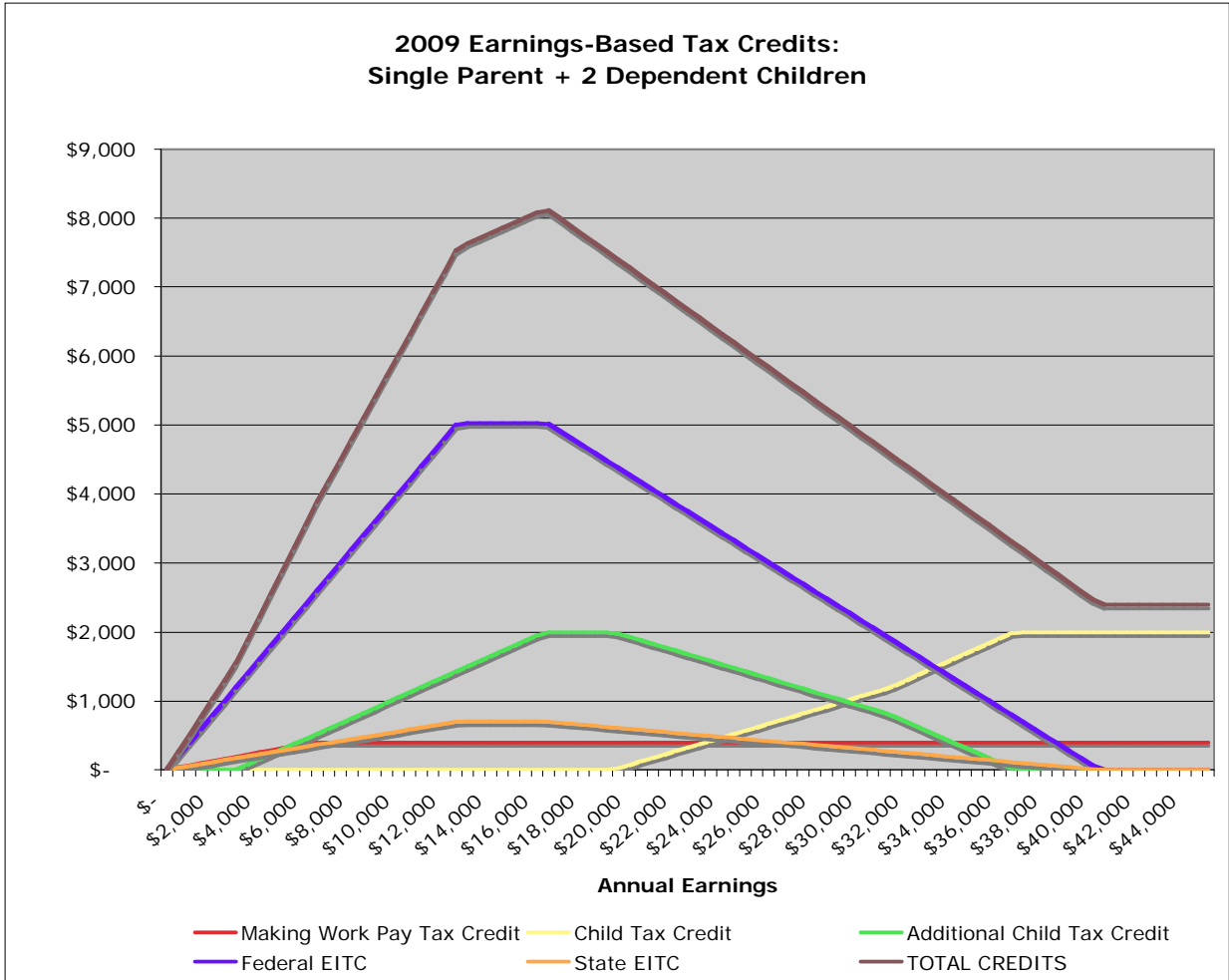
Yet no matter how well we do on these other important fronts, poverty itself will remain both pervasive and entrenched until we face up to and directly take on the three fundamental economic problems—three imbalances, as I like to call them—that primarily cause poverty.

The first economic problem—the first imbalance that causes poverty—is the gap between what we pay to those who can’t work or whom we don’t expect to work compared to the poverty line. In other words, the minimum amount that the Supplemental Security Income (SSI) program pays to persons with severe disabilities, and the minimum amount that SSI plus Society Security pays to seniors 65 and over is sometimes not high enough to lift those who can’t work or whom we don’t ask to work above the poverty line.



The second economic problem—the second imbalance that causes poverty—is the gap between the number of unemployed adults who need jobs and the supply of job openings. The problem is that today there are far more job seekers than job vacancies. During the 1945-1973 period, this imbalance hardly existed. It also shrank during the late 1990s to a very small imbalance. But since 1973, in most years there have been far more jobseekers than job vacancies. Today, who can doubt that a massive gulf has opened up between the demand for work and the supply of job openings? There simply aren’t enough jobs to go around. As a result, the poor who are unemployed largely remain unemployed, and thus they remain poor because they literally can’t find work.

The third economic problem—the third imbalance that causes poverty—is the enduring gap between the number of workers who need higher-wage jobs to escape poverty and the supply of jobs that pay such wages. Simply put: too many jobs don’t pay wages that are high enough to get people above the poverty line.



Fortunately, there is good news on this front. Over the last three decades, a creative system of earnings supplements—supported by every U.S. president from Gerald Ford to Barack Obama—has taken shape to supplement low-wage workers’ earnings. With the new (although now threatened) Making Work Pay Tax Credit joining a tax-credit line-up that includes the recently revised federal Earned Income Tax Credit (EITC), Wisconsin’s own supplemental state EITC, the improved Additional Child Tax Credit, and the basic Child Tax Credit, we’re well on our way to ensuring that even workers who hold minimum-wage jobs can get close to if not over the poverty line.

But few would say that we’ve totally corrected the imbalance between the number of workers who need higher-wage jobs to escape poverty and the number of jobs that—whether supplemented with these tax credits or not—pay such wages. More still needs to be done both to increase wages directly and to improve the earnings supplement system.

To sum up: I believe that we’ve got to tackle head on the three economic imbalances that are the primary causes of poverty in fashioning *any* “policy package” that aims to greatly reduce poverty. If we leave these imbalances intact, we’re nowhere. If we honestly deal with the shortfall in the minimum SSI and Social Security payments, the (now massive) overall shortage of jobs, and the very low wages that so many jobs pay, we have a good shot at driving poverty down to a residual level.

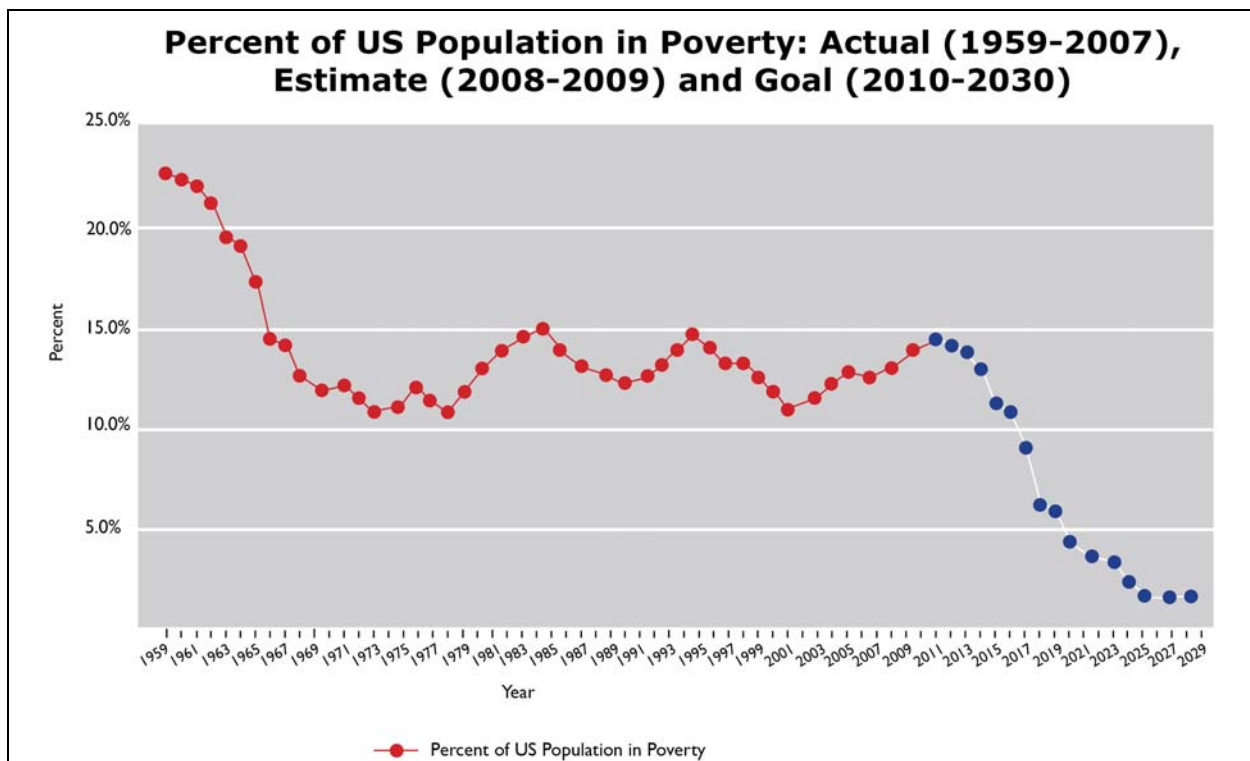
But we should leave it to systematic, evidence-based, rigorous, and inclusive initiatives such as the “Pathways to Ending Poverty” project—and its companion efforts across the nation and state—to pin down the details.

Conclusion

Whatever those details of the optimal “policy package” turn out to be, the bottom line—the end of all our exploring—remains the same:

Poverty *can* be driven down to nearly zero. Poverty is not inevitable. Nor is it intractable.

We greatly reduced it throughout the 1950s, the 1960s, and the beginning of the 1970s. Poverty also fell again, temporarily, during the late 1990s. What this nation accomplished before, we can accomplish again. New historical and political circumstances will require a different approach—perhaps a radically different approach.



But there is no reason why the U.S. cannot return to the pathway of annually declining poverty rates. This is the United States of America. We *can* get this job done—if we set our minds to it.

No strategy for greatly reducing poverty will be complete, however, unless it’s accompanied by a greatly improved health insurance and health care delivery system. Wisconsin, under the leadership of Governor Doyle, Secretary Timberlake and Medicaid Director Jason Helgeson, and the Legislature have done a truly marvelous thing in protecting BadgerCare Plus from cuts, and in expanding the program to cover childless adults. We should all thank them for this extraordinary leadership. Yet much work remains to be done. We need to make sure that every Wisconsinite actually has good health insurance. We need to make sure that we encourage wellness and preventive care. We need to make sure that all chronic illnesses—including

addiction and mental illness—are fully covered, without discrimination, on a parity basis. You can't get out of poverty through work if you're too sick to work, and you're likely to be driven into poverty if you lack good health insurance. So the link between reducing poverty and continuing to make progress towards comprehensive health insurance—including full coverage for addiction and mental illness—is essential.

Finally, let's talk about children. Lifting parents out of poverty is the essential first step to getting their children out of poverty. But we do need to go beyond a so-called situational “policy package” for reducing poverty, i.e., one that drives poverty down to a residual level today but doesn't explicitly aim to reduce the odds that, but for the situational “policy package,” children are likely to be poor in the future. In other words, we also need to put in place an intergenerational “policy package” for reducing poverty. It should be well conceived. It must be based on the evidence. But we clearly need to include in the overall anti-poverty “policy package” a variety of measures—including home visits to low-income, first-time mothers; high-quality, early childhood education; reduced class sizes during the elementary school years; and proven tutoring programs—that, by significantly improving the health and education of children, reduce the risk that they will fall back into poverty and increase the odds that they'll be able (whatever the limitations imposed by the labor market) to move into stable, decently paying jobs.

I began this presentation with T.S. Eliot's poetic assertion over 50 years ago that exploration ends when we return to our starting point and truly understand it. I'd like to conclude with another truth told to us over 200 years ago by another great writer, Samuel Johnson: “A decent provision for the poor is the true test of civilization.”²

We can end poverty—we can pass this true test of civilization—if we want to. To the extent that poverty continues or disappears in this state and in this country as we move forward into the 21st century, it will be neither a matter of accident nor a matter of fate. It will be a matter of choice and will. The pathway that lies before us is unmistakable. The “policy packages” needed to accomplish the task are within our reach. Tough decisions must be made in driving poverty down to next to nothing, but we have the capacity to make those choices. The decision is ours.

² James Boswell, Life of Samuel Johnson (Chicago: Scott, Foreman and Company, 1923), p. 169