

Center for American Progress



From Poverty to Prosperity: A Strategy to Reduce Poverty and Inequality and Promote Mobility

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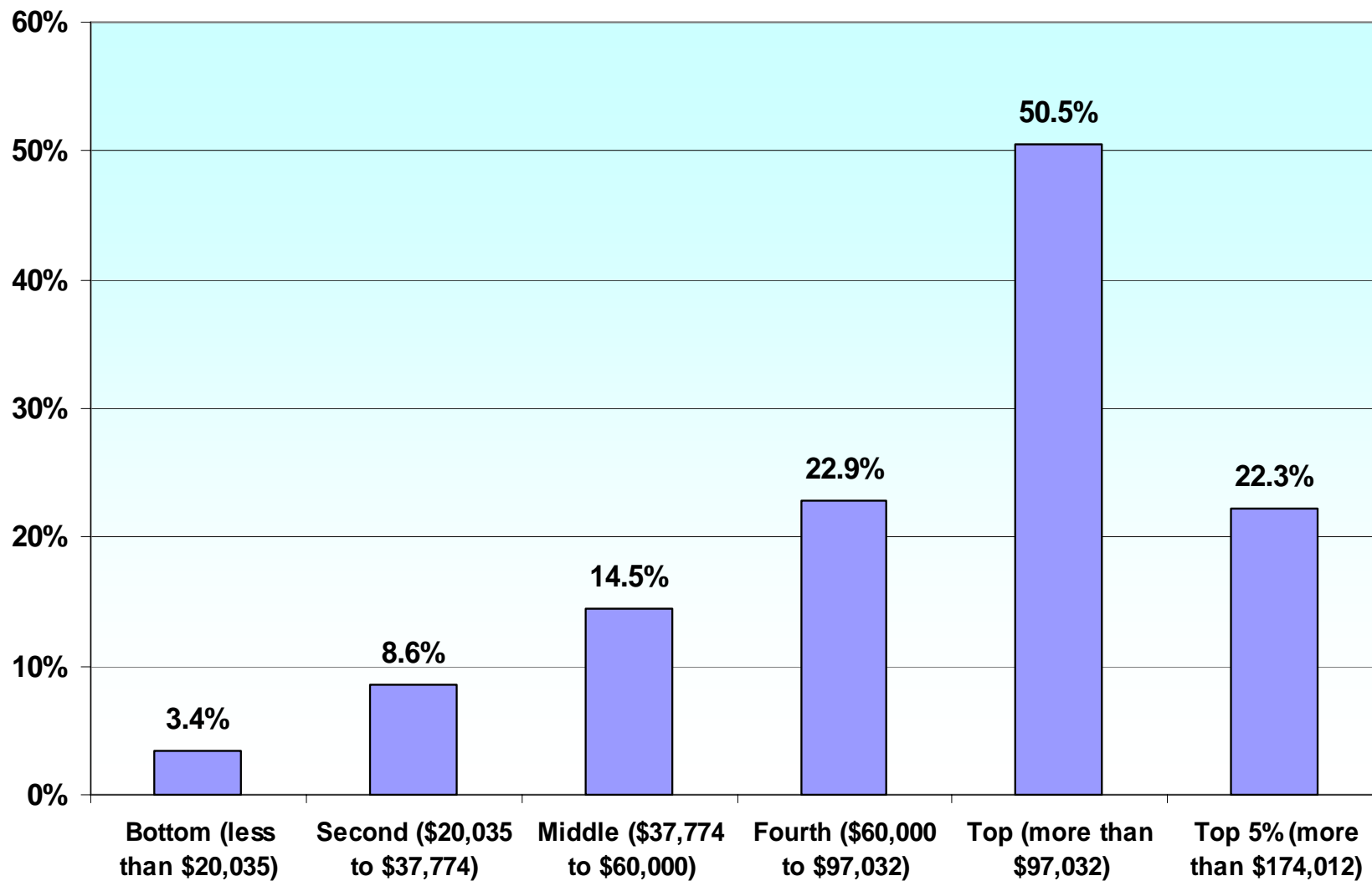
California Budget Project Conference, March 20, 2008

Progressive Ideas for a Strong, Just and Free America

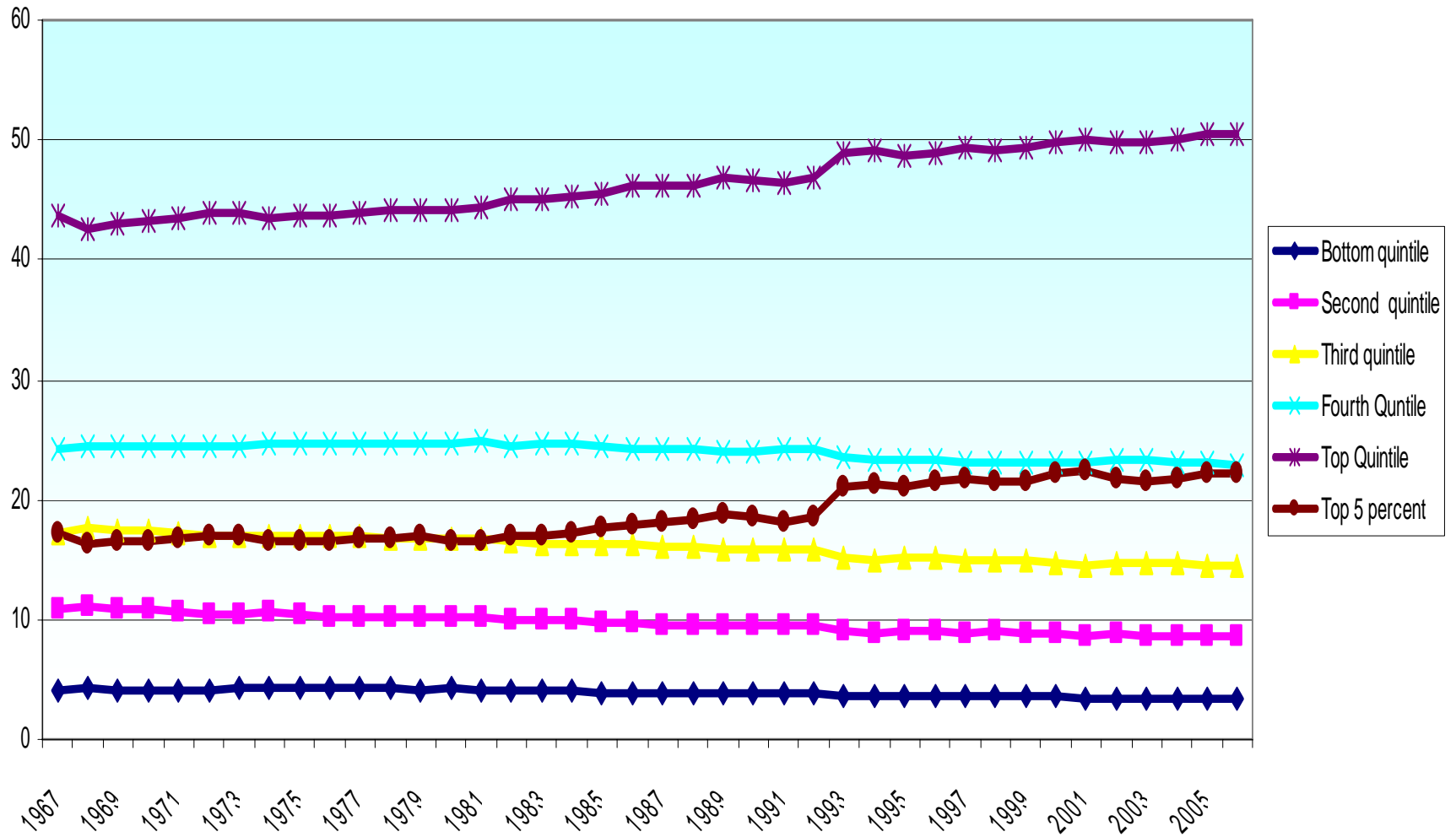
Growing Interest in Addressing Poverty

- State strategies
 - Connecticut, Minnesota, Vermont, Delaware
- At least 29 cities
- National Efforts
 - Faith-based efforts
 - US Conference of Mayors
 - Community Action Agencies
 - Center for American Progress Task Force

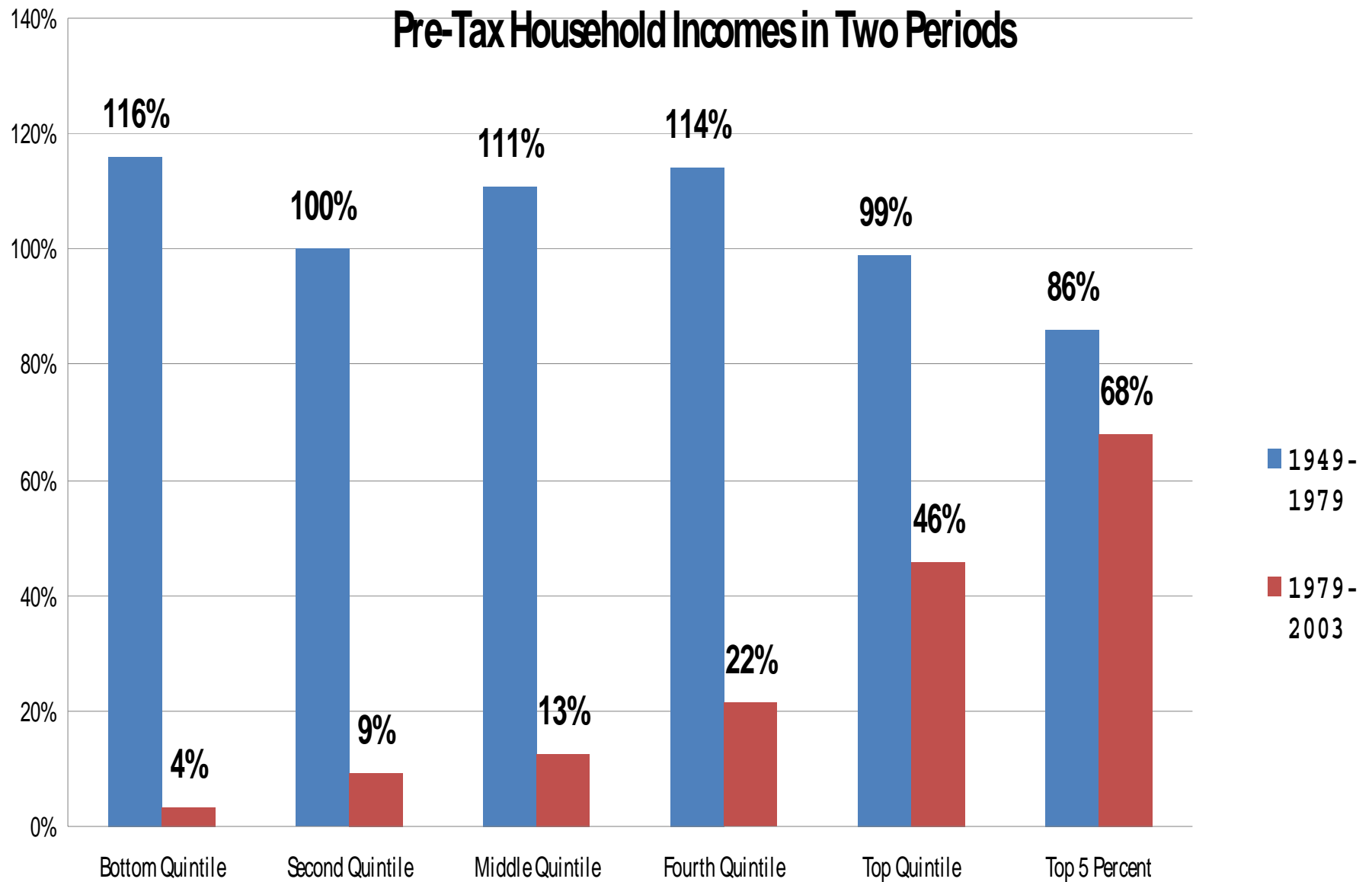
Shares of household income (2006)



Pre-Tax Income by Quintiles and for Top 5%, 1967-2006

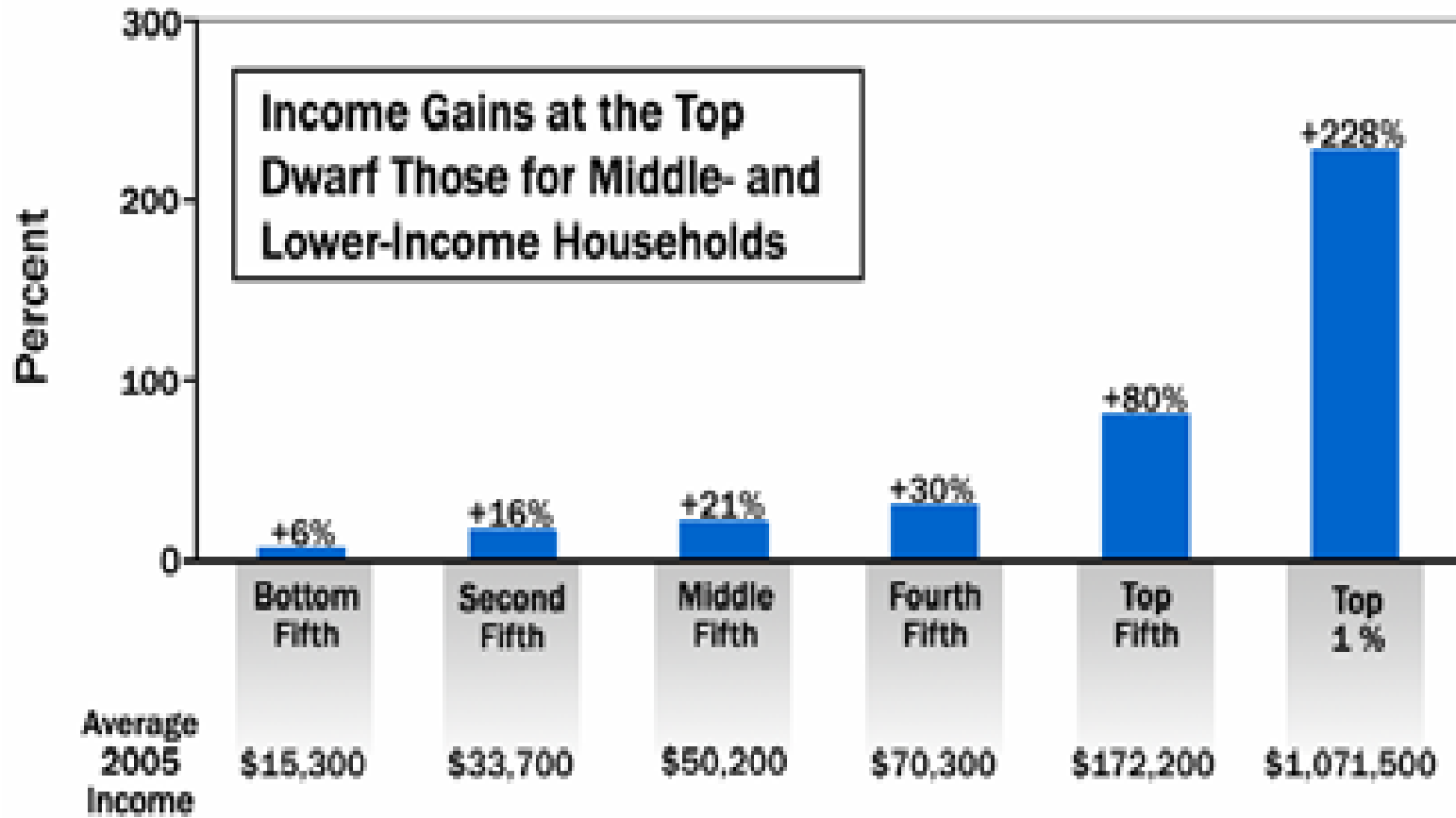


Pre-Tax Household Incomes in Two Periods



Source: Robert Frank, *Falling Behind* (2007)

Change in Average Real After-Tax Income 1979-2005



Source: Congressional Budget Office

CBPP analysis of Congressional Budget Office data

Relative Mobility: Adult Quintile, Shown by Quintile as Child

Quintile as Adult	Bottom Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Top Quintile
Quintile as Child					
Top Quintile	6%	10%	19%	26%	39%
Fourth Quintile	11%	18%	17%	32%	23%
Middle Quintile	19%	24%	23%	19%	14%
Second Quintile	23%	23%	24%	15%	15%
Bottom Quintile	42%	25%	17%	8%	9%

Source: Brookings Institution, Economic Mobility of Families Across Generations

International Comparison: Mobility Outcomes for Men Whose Fathers Were in Bottom Quintile			
	Remained in Bottom 5th	Climbed 1 to 3 Quintiles	Reached Top 5th
Denmark	25%	64%	14%
Finland	28%	64%	14%
Norway	28%	60%	12%
Sweden	26%	63%	11%
United Kingdom	30%	57%	12%
United States	42%	50%	8%

Source: Brookings Institution, summarizing findings from Jäntti et al. 2006. "American Exceptionalism in a New Light: A Comparison of Intergenerational Earnings Mobility in the Nordic Countries, the United Kingdom and the United States"

CAP's Poverty Task Force

After Katrina, Center for American Progress convened a Poverty Task Force – a diverse group of experts and leaders.

Task Force Charge:

- Make the case for why the nation should address poverty.
- Make recommendations for what should be done about it.

Task Force Members

Angela Glover Blackwell, Founder and CEO, PolicyLink (co-chair)
Peter B. Edelman, Professor of Law, Georgetown University (co-chair)

Rebecca Blank, Dean, Gerald R. Ford School of Public Policy, Henry Carter Adams Collegiate Professor of Public Policy, University of Michigan

Linda Chavez-Thompson, Executive Vice President, AFL-CIO

Reverend Dr. Floyd F. Flake, President, Wilberforce University

Wizipan Garriott, Law Student, Board President of the He Sapa Leadership Academy

Maude Hurd, National President, ACORN

Charles E. M. Kolb, President, Committee for Economic Development

Meizhu Lui, Executive Director, United for a Fair Economy

Alice M. Rivlin, Senior Fellow and Director, Greater Washington Research Program, Brookings Institution

Barbara J. Robles, Associate Professor, Arizona State University

Robert Solow, Professor Emeritus, Massachusetts Institute of Technology

Dorothy Stoneman, Founder and President, YouthBuild USA

Wellington E. Webb, Former Mayor of Denver

Poverty in America

- 1 in 8 Americans are poor -- 36.5 million people.
 - Official measure - \$20,614 for family of four.
 - Most people believe cost of making ends meet is twice that amount or more.
- 1 in 6 children are poor.
 - 27 percent of Hispanic children, 1/3 of African-American children.
 - 21 percent of children under 5 are poor
 - 30 percent young Hispanic, 40 percent young African-American.
- 2/3 of poor children live with a parent who works all or part of year.
 - 1 in 4 jobs do not pay enough to support a family of four at the poverty line.

Short and Long-Term Poverty

- **All Americans**
 - 1 in 3 are poor at some point in a 13-year period.
 - 5 percent are poor for at least 10 in 13 years.
- **Children**
 - 35-36 percent ever poor in childhood.
 - 6-8 percent poor 11 plus years.
 - 23-28 percent African-American children.

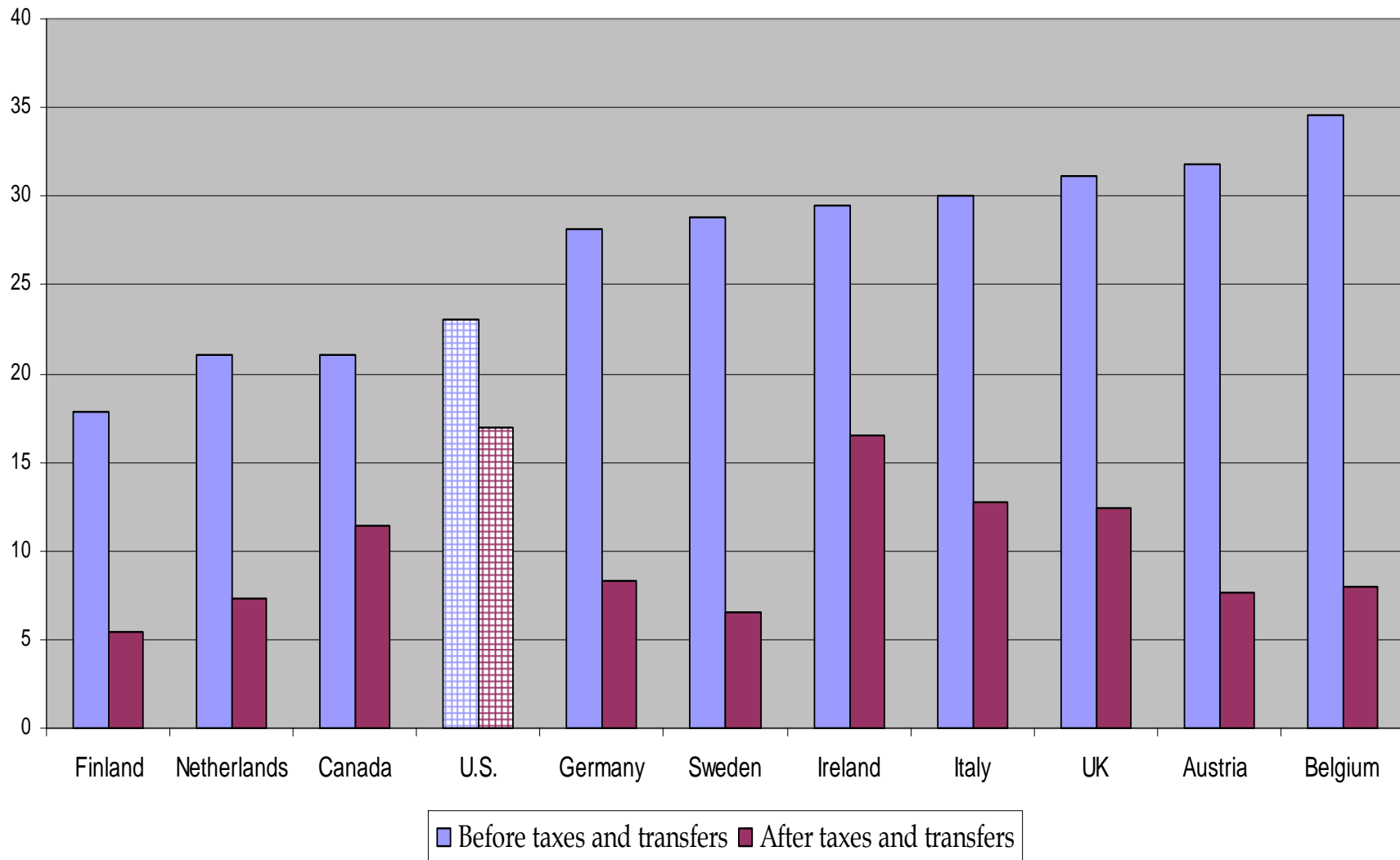
Poverty and Wealth

- Wealth is more unequal than income and asset poverty is extensive:
 - Top 1 percent has 19 percent of national income, bottom two quintiles have 12 percent.
 - Top 1 percent has over one-third of nation's net worth, bottom two quintiles have less than one percent.
 - In 2001, 37 percent of American households were “asset-poor.”

Poverty in US high compared with other developed nations

- UNICEF report, using relative income measure, US ranks 24th of 24 nations on child poverty.
 - 22.7 percent, versus 11.3 percent average.
 - US ranks 5th on share of children in household with working parent.

Relative poverty rates (50 percent of median income) before and after taxes and transfers



Source: Timothy Smeeding, *Poor People in Rich Nations: The United States in Comparative Perspective*, January 2006

Why We Should Reduce Poverty: The Economic Argument

Task Force commissioned Harry Holzer, Dianne Schanzenbach, Greg Duncan, Jens Ludwig, to examine economic costs of poverty.

The Economic Costs of Poverty in the United States: Subsequent Effects of Children Growing Up Poor concludes:

- Costs associated with persistent childhood poverty total about \$500 billion annually – equivalent of nearly 4 percent of GDP:
- Costs about evenly divided between lost adult productivity and wages, increased crime, and higher health expenditures.

A National Goal to Cut Poverty in Half

Task Force recommends national goal of cutting poverty in half over the next 10 years, setting the nation on a course to end poverty in a generation.

- National goal would:
 - express importance,
 - establish clear standard against which to measure progress;
 - promote accountability across governments and target for non-governmental efforts.

UK Experience

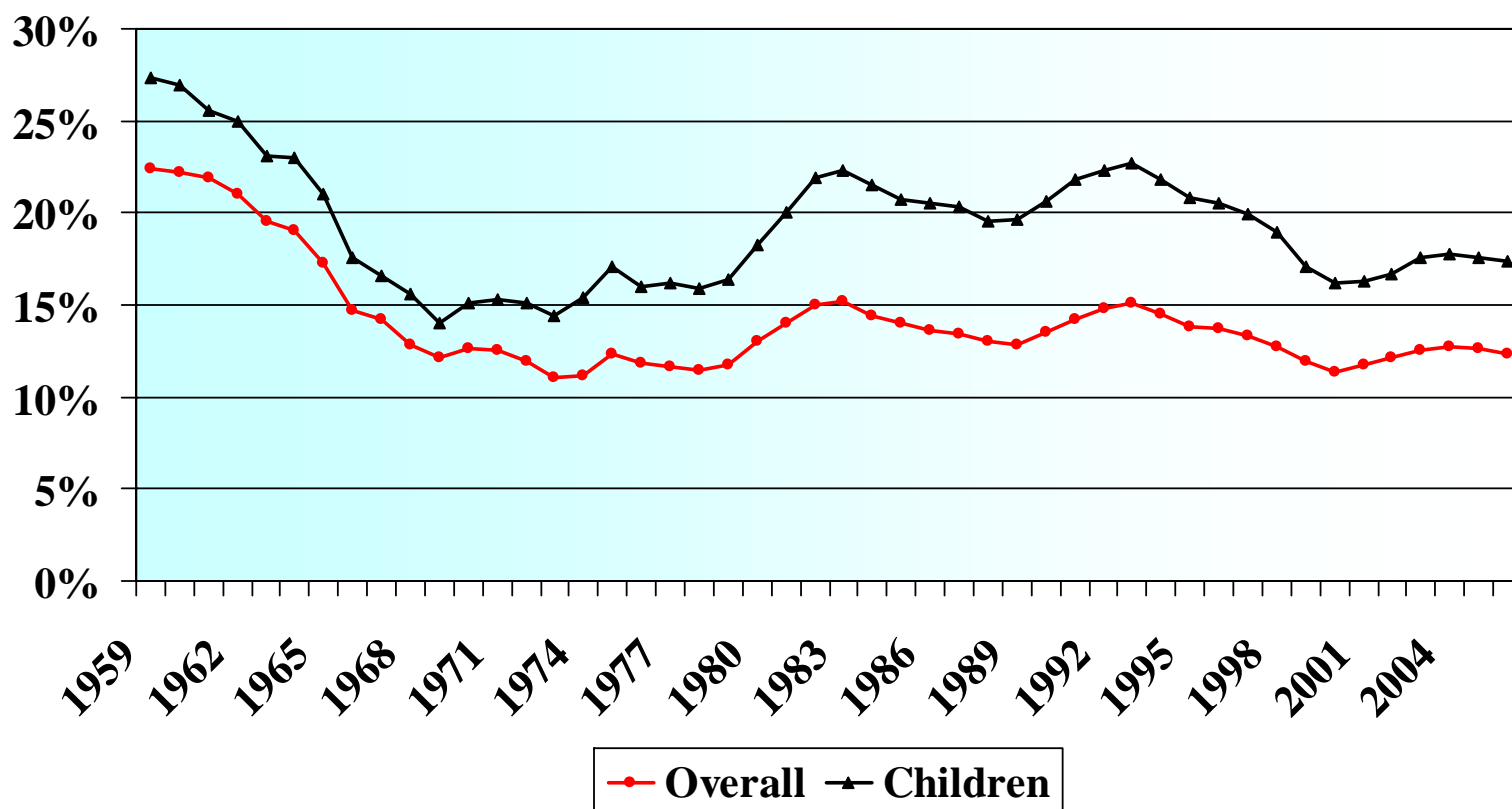
- In UK, having national goal of ending child poverty by 2020 has contributed to dramatic progress.
 - From 1998-99 to 2005-06, child poverty has fallen by more than half in absolute terms, 18 percent on a relative measure.

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U.S. has made progress before

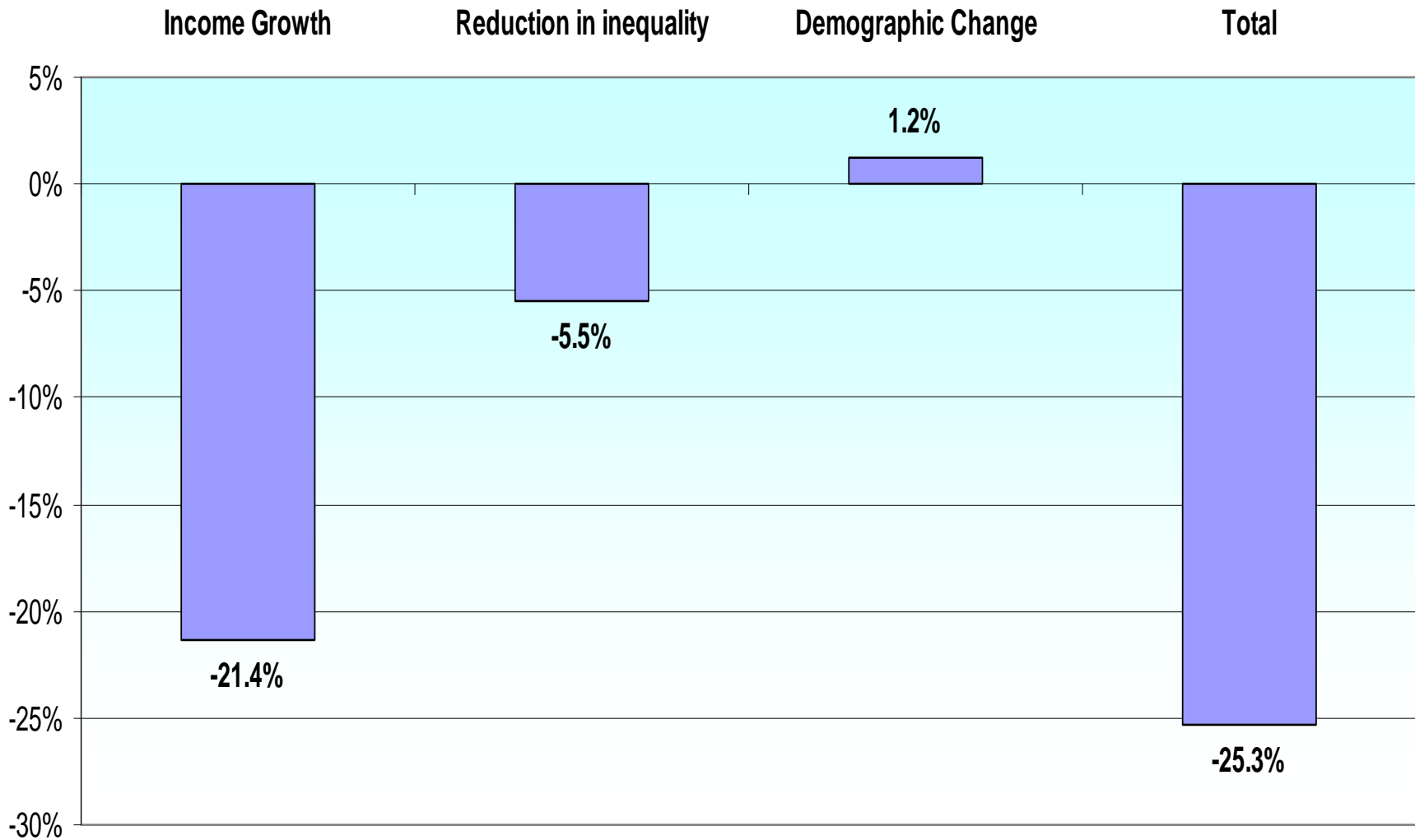
- Between 1964-1973, poverty fell by 42%.
- Between 1993-2000, poverty fell by 25%.
- Key is to combine efforts to attain full employment with focused policies.

U.S. Poverty and Child Poverty Rates, 1959-2006



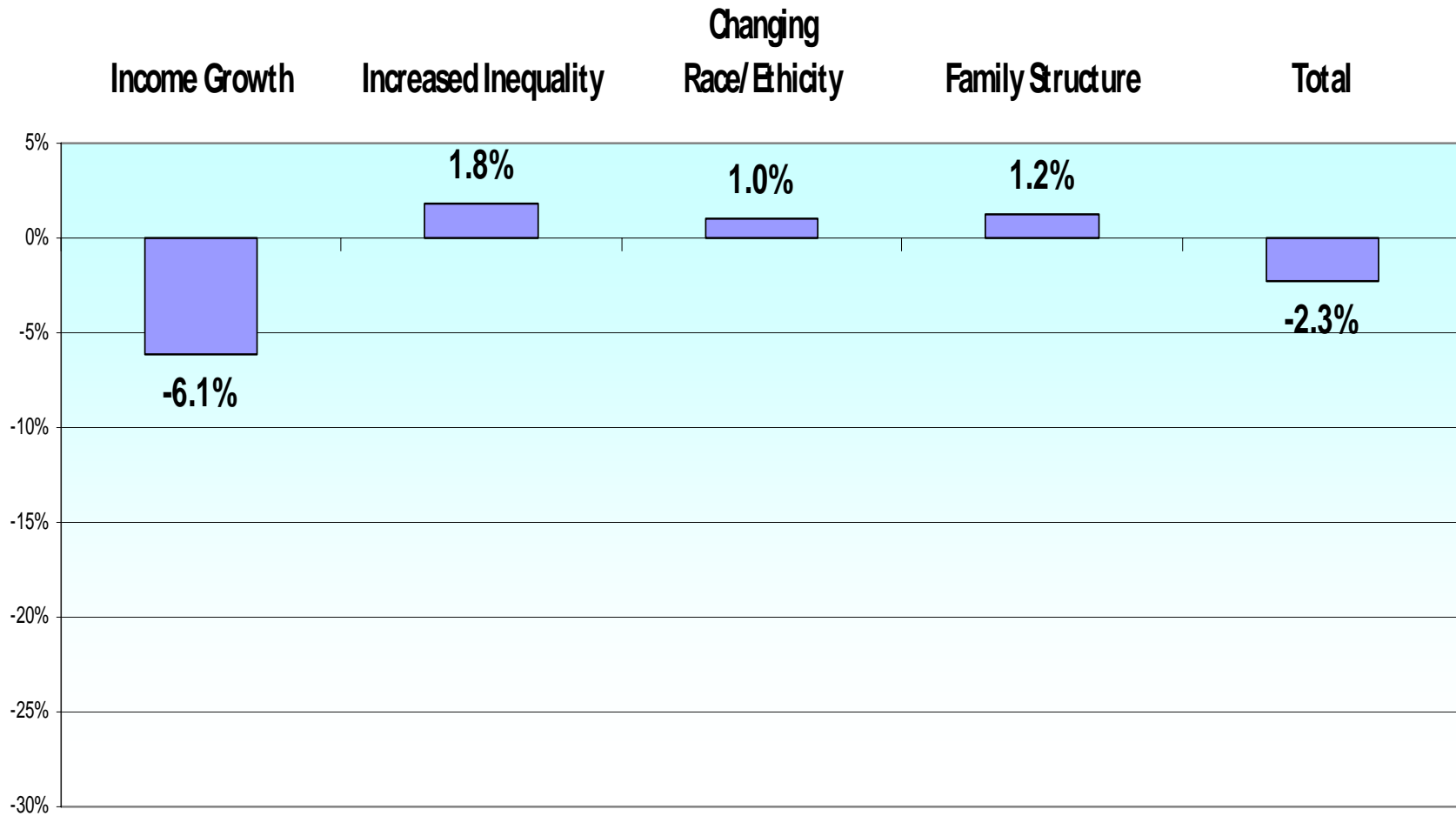
Source: U.S. Census Bureau

Poverty Reduction, 1949-69



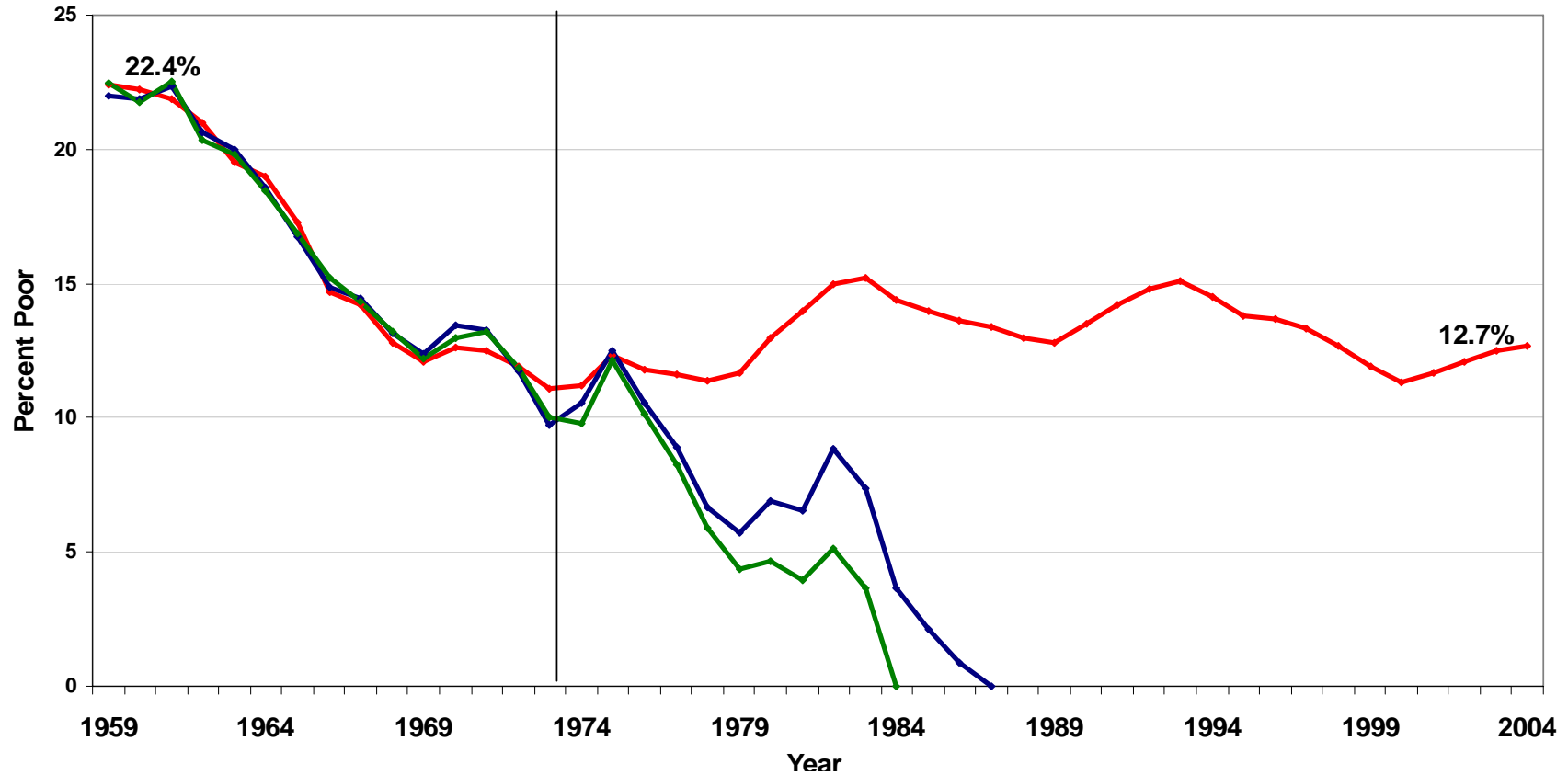
Source: Danziger and Gottschalk, Diverging Fortunes: Trends in Poverty and Inequality

Poverty Reduction, 1975-2002



Source: Danziger and Gottschalk, Diverging Fortunes: Trends in Poverty and Inequality

Official Poverty Rate and Predicted Rates with pre-1973 GDP/Poverty Relationship



- Actual Poverty Rates
- Constant GDP-Poverty Relationship, Actual GDP
- Constant GDP-Poverty Relationship, GDP growth at 2.9%

Note: The predicted lines shows where the poverty rate would be in subsequent years if the relationship between per capita GDP and the poverty rate remained the same as it did from 1959-1973. GDP grew at an average of 2.9% per year from 1959-1973 and at an average of 1.9% from 1973-2004

Source: Sheldon Danziger

A Four-Pronged Strategy

Promote decent work: People should work, and work should pay enough for workers and families to avoid poverty, meet basic needs, save for future.

Provide opportunity for all: Children should grow up in conditions that maximize their life chances. Adults should have opportunities to connect to work, get more education, live in good neighborhoods, move up in the workforce.

Ensure economic security: Americans should not fall into poverty when they cannot work or work is unavailable, unstable, or pays too little.

Help people build wealth: People should have assets that protect them during unstable periods and permit them to climb the ladder of economic mobility.

Guiding Principle of Progressive Universalism: Broad-based help, with the most help to those who need it most.

Task Force Recommendations

Recommendations in twelve areas, including:

- minimum wage
- Earned Income Tax Credit/Child Tax Credit
- supporting unionization
- child care and early education
- housing and equitable development policies
- disadvantaged and disconnected youth
- higher education
- former prisoners and reentry policies
- unemployment insurance
- reforms to means-tested benefits
- addressing high costs of being poor
- promoting savings for low-income families and workers.

Measuring Impacts of Selected Recommendations

CAP contracted with the Urban Institute to model the impacts of some of the Task Force recommendations:

- UI used Transfer Income Model, a microsimulation model that uses Census Bureau survey data and detailed information about program rules to simulate tax, benefit, and health programs.
- Modified definition of poverty, drawn from recommendations of National Academy of Sciences.

4 Modeled Recommendations

- **Raise Minimum wage** to 50 percent of average non-supervisory wage (\$8.40 in 2006)
- **Expand EITC** for childless workers, extend it to 18- to 24-year olds who are not full-time students, increase it for families with 3+ children, and exclude half the earnings of the lower-earning spouse if doing so resulted in a larger EITC.
- **Make Child Tax Credit fully refundable** so that all low-income children would benefit.
- **Increase Child Care Assistance**, by making subsidies available to all working families with incomes below 200 percent of poverty, and making Child and Dependent Care Tax Credit larger and refundable.

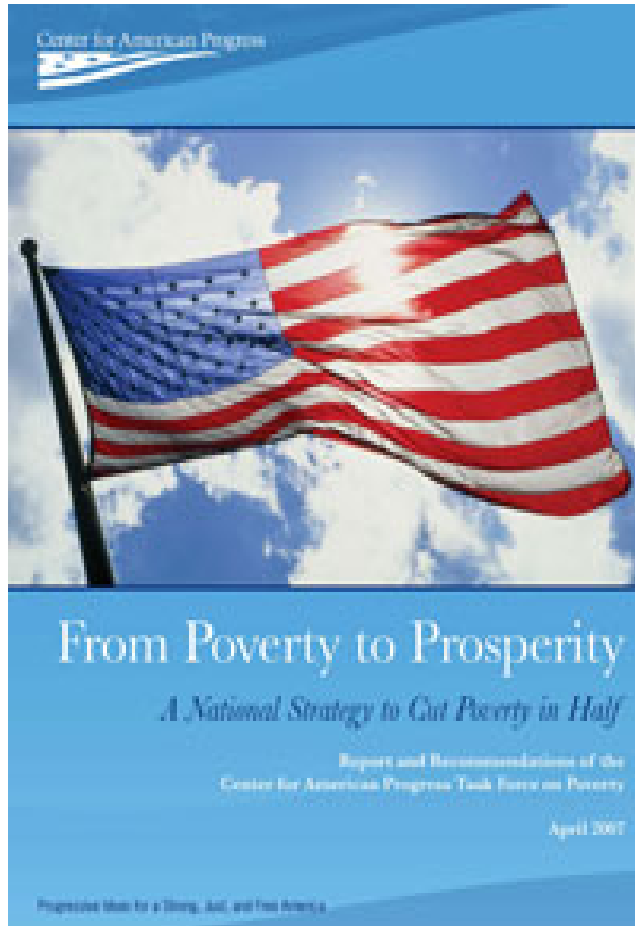
Estimated Impacts on Reducing Poverty

	Overall Poverty Impact	Child Poverty Impact
Minimum Wage	-5%	-6%
EITC	-6%	-4%
Child Tax Credit	-9%	-20%
Child Care	-8%	-14.5%
Cumulative	-26%	-41%

The Challenge for US

- Challenge is not that nothing works, or that we don't know what to do -- it's about political will.
- Cannot just be federal, cannot just be government.
- State and local efforts can make an important impact and spur others.
- Critical time for moving ahead.

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