Poverty In America: How Did the Working Get So Poor?

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Ladies and Gentlemen:

What a true pleasure it is to address this joint session of JCPA and Hillel. As a member of the community and a representative of Brandeis University, I often have the privilege of speaking to august bodies. But this combination today of experienced JCPA members, along with Hillel youth, means that not only can we have the wisdom to figure out what needs to be done but that some of us might even have the energy to do it! What a great thing to have this plenum session to examine the true paradox of poverty in the world's wealthiest nation.

Today I will address the topic of poverty and growing inequality in our nation by first taking you through the back door, to see one of its stepchildren. Many issues are the stepchildren of poverty: substandard housing, poor health care, inadequate education and destructive personal behaviors. To look at the insidious nature of domestic poverty, I will introduce you to a stepchild named hunger.

Those of you who have heard me speak before know that I always bring with me a young boy named Danny Holley. Twelve years old, Danny died in 1984, in the midst of a presidential campaign. He lived on an army base in California with his mother and siblings, while his father served overseas. The Holley family often didn't have enough to eat, and the children would go to bed hungry despite the mother's job and their best efforts. Danny often collected cans and bottles to help supplement his mother's income in order to pay for food, but still it wasn't enough. One afternoon, Ms. Holley came home from work to find that Danny had hanged himself. Beside his body was a note on the kitchen table that read: "Dear Mom, I love you, and hope that you won't be angry with me. But I figured that it would help a lot if there was one less mouth to feed."

This dramatic event was covered by the news media at the time… but neither Ronald Reagan nor Walter Mondale found it worthy of any mention in their presidential race. I vowed never to let Danny's death be forgotten so I mention him whenever I speak about hunger. He is my constant companion. An unusual event, to be certain, Danny's death and the lack of interest by political leaders somehow reflects a nation that has lost its way. What a poignant statement about what has happened to the wealthiest nation that has ever existed: we allow children and adults to go hungry, even to die from it, and it simply is a fleeting news story. In fact, it is even worse today. So accustomed have we become to the *continuing existence* of hunger in America that it is now part of the national landscape. It no longer is an outrage, it is simply part of the "normal condition" in our wealthy democracy.

In fact, so "normal" has hunger become that our political leaders hardly pay any attention. None of them gets in trouble for ignoring it and, therefore, they have no motivation to do anything about it. Hunger simply "is there," like other social conditions that are known but largely ignored because there is no outcry to fix them.

Things were not always this way. In the 1960s, public revelations about hunger, widely covered by the news media, prompted a Republican President and a Democratic Congress to take action. The food stamp program was made into a national safety net. The school breakfast and summer food programs were instituted, as were the WIC program and elderly feeding programs. All these policy actions made a difference. Physicians a decade later looked into the same regions where they had found widespread hunger before, and they reported that while poverty still existed, the poor had food to eat. The programs were working.

All of this changed in the early 1980s. During the very midst of a steep recession, the Reagan Administration proposed, and a Democratic Congress approved, sharp cutbacks in the very food programs that virtually had ended hunger. Some $12 billion were cut from food stamps and child nutrition programs… and we have never recovered since. We have not recovered because more than funding was lost. A public trust was broken; our leaders walked away from a commitment not to permit hunger to stalk our nation. Hunger became another item of debate in the ideological struggle between Left and Right. It was now alright to be callous toward the hungry, as we saw when the Gingrich Congress, in its infamous "Contract with America," sought to cut child nutrition programs even further and to engage in unspeakable stunts like counting ketchup as a vegetable in the school lunch program as a way to give kids less to eat.

These actions fundamentally changed the hunger landscape in America. When the federal food and nutrition programs were cut, a public trust was broken. It became safe for mean-spirited political leaders not only to ignore hunger, but even to deride the hungry. And this change led to two startling outcomes. The first was the development, between the early 1980s and today, of a huge charitable army of organizations to feed the hungry because government was no longer doing its job. We have moved from a nation that had come close to ending hunger in the 1970s, to one that today has more than 200 food banks covering all states in the nation. These banks, in turn, house and distribute food industry left-overs to more than 50,000 food pantries and soup kitchens in virtually every community in the nation. Starting out as an “emergency response” to the crisis precipitated by Washington leaders, this incredible network of charitable organizations has never stopped growing. And by definition, it no longer constitutes an emergency response. After twenty years, it has become a part of the hunger landscape.

This gets us to the other outcome. The growth and visibility of this charitable network gave political leaders, already fractured in their consensus about ending hunger, a way out. They began to praise private charities as an answer to hunger, thereby taking themselves off the hook for doing so little to end it. The Republicans, many of whom don’t like government anyway, saw private hunger charities as a way to remove government from insuring that our people do not go hungry. And some of the charities played into this trend, by holding themselves out as the answer to a problem wherein government could not be trusted. And a narrow segment of the charities needed the hungry to exist so they could demonstrate their righteousness by feeding them. Feeding the hungry, in other words, became another way for them to earn their own salvation.

Many Democrats, on the other hand, also fell into the trap of praising private charities, perhaps reflecting their perceived ineptness and lack of courage to do anything better in the policy arena. Bill Clinton, a man certainly aware of hunger and poverty, and one who understood that they can be remedied only through public policy and a strong economy, never spoke about hunger. His closest effort was to discuss with his cabinet members how federal agency left-overs could be distributed to the hungry. And his chief hunger-fighter, an otherwise most decent man, routinely praised charitable efforts and spoke of the “public-private partnership” needed to end hunger. Notably, this so-called partnership was characterized by noting the limits of what government could do, and the marvelous things private charities might do instead. These officials, and others in Congress, even touted the so-called virtues of "gleaning," the Biblical practice of leaving pumpkins in fields for the poor to pick, not necessarily an easy task if you have no car, have young children, or you live in a city.

In short, the broken public trust to work bipartisanly to end hunger resulted in this enormous charitable network, because people had to be fed. But the very existence of this charitable outpouring then became the rationale for government not to do its job. The ultimate responsibility of government – the only certain way to end hunger in a nation – was tossed out the window, and private charity then became the excuse for government's abdication of responsibility.

Now, some of you may say that you understand what happened, but still ask what is so bad about feeding people through food pantries and soup kitchens? The answer is that in the short-term, nothing is bad about it. People are hunger, government is not doing its job, so these programs and the well-meaning people behind them simply <u>must</u> feed people. People don't eat in the long-run, they need to eat now, so it's good these programs are there! But when it comes to actually *ending* hunger, it is a different thing. Charitable hand-outs, by definition, do not end hunger. They only feed a hungry family for the moment, and poor people have the peculiar habit of getting hungry again the next day.

MY next comments are directed in particular to youth in the audience. You must always remember that while we are taught from an early age to be charitable, our greatest responsibility is to work for justice. Charity is not justice. Giving alms is not the embodiment of justice. Justice binds, charity distances. Justice promotes strength, charity promotes dependence. Justice lifts, charity stigmatizes. No matter how well meant the effort, no matter how cozy the environment, no matter what's in the bag of food, it is an indignity for an adult to be reduced to relying on others to feed her children. It is the essence of adulthood, of dignity and self-respect, that we feed our own families. Anything else is an indignity. Period.

So charity is not the answer. The incredible efforts of the charitable sector are not a sign of collective success, but a symbol of public failure. And the very existence of the charitable enterprise has corrupted politics. It has turned public officials from justice fighters into timid pacifists. Political leaders have become the cheerleaders for charity, and charity has become the public pabulum that excuses their inaction. Private charities to feed the hungry reflect the failure of American policymakers to do their jobs. They represent the failure to bring us into the sisterhood of modern industrial nations that long ago adopted policies to protect their people from the man-made scourge of hunger.

Now, remember that I have introduced you to but one stepchild of poverty. I could have introduced its other offspring: poor health care and no medical insurance, substandard housing with lead-infested paint that impairs the minds of young children, schools that fail to educate and colleges that remain beyond the reach of many with strong minds but limited incomes. But let's move on.

Probably few of you here today would raise your hands if I asked how many think things are getting better for our nation and its families. And probably most of you would raise your hands if I asked how many worry about whether your children will be able to get a decent-paying job, one that will be sufficient to get married and raise a family. Those of you who are older surely worry whether your children will ever have the standard of living many in our own generation have.

Today, we will examine why the people of this wealthy land experience such economic insecurity. I am going to make detectives of each of you. Many of you will be familiar with the dictate of law enforcement officials when they seek to understand a financial crime: the motto is to "follow the money trail." This means that if you want to uncover corporate crime, follow the trail of the money… not just who ends up with it, but where it came from and who got paid off along the way. Check the accounts, the transactions, incomes and expenditures. In short, linking the flow of money ties together the criminals.

The same strategy helps us to understand the economic circumstances of the working poor and many middle income households today -- they work so hard but find it so hard to get by. And it tells us why it seems that no matter how hard they work, they can make little improvement in their circumstances. Following the national money trail also will assure you that your own worries about a better future are well-founded.

From at least the early '80s, things have gotten worse for the majority of American households in terms of economic security and well-being. This is so, I should add, with the exception of the "economic bubble" from '93 to '99. During that short period of growth, the nation's economy was stronger than at any other time in our history. This was due to several reasons, including the unprecedented growth of the stock market and the creation of millions of jobs that produced exceptionally low unemployment. Without going into it any further, let me just say that we probably will never again see such a strong economy in the lifetime of anyone here. But for some of you here today, this was the reality with which you grew up so, in a sense, you have a distorted view about what to expect. Unfortunately, the tough economic circumstances we now face are more the norm: higher unemployment, little wage growth, declining household wealth and little savings.

Let's follow the money trail over two or three decades to get a better understanding of the realities faced by ordinary workers and their families. If we look at average hourly wages for the nation's workforce, (using 1999 dollars so that we are comparing apples to apples) we find that the hourly wage in '99 (at the peak of the economic boom) was $11.87 an hour, or just over $24,000 a year before taxes and job-related expenses. In other words, the average family living on the income of the average hourly-wage worker, working full time, brought home an after tax income of around $20,000 – again at the peak of the economic boom. Not a lot, right? But this $11.87 income was actually *less* than twenty years before. And it was significantly less than in 1973, when the average hourly wage (in current dollars, or adjusted for inflation) was $12.05. This means that over the past 25-plus years, the hourly wage of the average working household actually <u>declined</u>. And this decline took place even in spite of the strongest economic boom we ever experienced.

Now, let's not forget that we're following the money trail, so it's good to ask this question: during the unprecedented economic boom of the '90s, how much better off did working families become? The answer is that the average hourly wage we've been talking about increased from '79 to 2000 (pre-boom to post-boom) by a total of .38 cents! In other words, .38 cents per hour was the dividend that went to the average working household over a period of two decades.

So now we must ask, if hourly wage workers did not really benefit during the boom, was it salaried workers who were getting better off? Again, the money trail tells the facts: the median weekly wage of $567 was not much higher than it was in 1979, when it was $558. And even during the boom period from '92 to 2000, the median weekly income of full-time wage and salary workers went from $540 weekly to $567 a week. This increase of $27 weekly hardly accounts for the booming economy of trillions and trillions in new money that flooded our economy.

If hourly wage households and salaried households fare hardly better today than two or even three decides ago, perhaps we might ask (somewhat facetiously) whether it was because poor families did so much better. In other words, maybe more of the nation's income went to families in poverty which, in turn, meant that working class and middle income families did not receive their fair share. The money trail shows us, however, that poverty stayed remarkably the same throughout the past twenty years. Today, 35 million Americans live in poverty, about the same number that experience hunger and food insecurity. These 35 million represent about 13% of our population – one of every seven or eight people in America living below the official poverty level.

Before we follow the money trail elsewhere, let me take a moment to explain just what being in poverty means. Living below the official poverty level means that a household lives below the government's definition of poverty – an income of around $16,000 for a family of two or $18,000 for a family of three. But can a family of two or three really get by on $16,000 to $18,000? In other words, if they make $20,000 are they likely to be OK? The answer is no. If we measure the needs of a three-person family, say a father, mother and one child, we'd calculate monthly housing costs, food, child care, transportation to work, health care, taxes and other expenses. The total they need to simply get by is $32,107, or twice what the poverty line suggests.

This tells us that people in poverty have incomes so low that they cannot possibly make ends meet. But it's even worse. The typical household in poverty does not live at the highest income end of the poverty line. The average family lives 40% below the poverty level. In other words, the poverty line itself tells us nothing about just how poor most families are.

And there is yet another way to look at poverty. If we ask not how many people live below the official poverty line throughout the year, but how many live in households that fall into poverty one or more months each year – in other words, how many live in or around poverty during the year – the answer is more than 70 million. This means that about one of every four people in the United States today live in households that hardly get by. This is a very different nation than we see depicted by television, advertising, and the faces of smiling politicians who tell us how lucky and prosperous we all are.

We are the most prosperous people in the history of the world, but only if you add up wealth or income and divide by all of us. This is what scholars refer to as the tyranny of the mean or the average: it hides the ends of the distribution. An overall average does not tell us how the richest and the poorest are doing. If I show you two people and tell you they have an average income of a million dollars, that might be true, but I would be misleading if one of them had nothing and the other had the entire amount. Averages don't tell the full truth. As my economist friends like to point out, a man standing with one foot in ice and the other in boiling water on average feels just fine! So to get at the truth of the outcomes and their impact, we have to go back to the money trail.

Perhaps there are other reasons that many households are hardly doing better today than twenty or thirty years before. Perhaps we don't work hard enough. In fact, during elections you sometimes hear politicians talk about people not having a work ethic, not pulling themselves up. In short, perhaps there's something about Americans that makes us not work hard enough and this, therefore, is why we hardly seem to get ahead. But is it true? When we look at the facts we find otherwise. The average middle-income, two-parent family now works 660 hours more each year than it did in 1979. In other words, the two workers in this household now work 16 <u>weeks</u> more each year than they did then.

Now, one might say that, yes, sixteen weeks a year more work (longer work days, more over-time without pay, less vacation) may be a lot, but is it any different than people in other industrial democracies? It turns out to be a lot different. The average American worker works more than those in any other wealthy industrialized country in the world. At the same time, the American worker reaped fewer benefits for working extra hours, whether in the form of vacation time, holidays, or paid leave.

Some then grasp at the next straw: perhaps we are not working efficiently, and this is the reason that we work longer hours but our income has stagnated. Wrong again. For the past two decades the productivity of American workers – their output per hour worked -- steadily increased. Our productivity is higher than virtually every other nation in the world.

Maybe it's that some people don't pull their weight and it drags all of us down. Perhaps it's those people on welfare that politicians always talk about during election years. Here, too, the facts are telling. In 1980, 16% of families who received public assistance were lifted out of poverty by federal safety net programs. By 2001, that proportion had dropped to less than half that amount, to 7.8%. Since 1996, the welfare rolls have declined by about 80%. Four out of five of those who left the rolls have worked since then, and two-thirds remain in the labor force. But despite their hard work, they also are suffering. Half of them experience hunger, lack of medical care, or poor housing (1999). This is a far higher number than even two years before (1997). In short, despite playing by the rules and working hard, the labor market did not provide them with a way out of poverty.

O.K., we've hit a number of dead-ends trying to find an answer to the mystery we wish to solve: where does all the money go? We know it's out there somewhere. We have the wealthiest nation in the history of the world, and we know that trillions and trillions of dollars in new wealth was generated during the 1990s. We also know that the current sluggish labor market notwithstanding, much of it still remains. But where is it? Where did it go? Where does the money trail take us?

To answer this question, let's take a different path: let's look at the average income of American families over past decades. But instead of averaging it all together so that it hides the way income is distributed, let's divide families into quintiles or twenty percent groupings. This means that we will see over the years how the poorest 20% of households fare in terms of income gains or losses, how the richest 20% did, as well as the middle three quintiles got along. And to make it a fair comparison, we will keep the analysis in 1999 dollars to adjust for inflation, as we compare the two points in time, 1979 and 1999.

The bottom twenty percent of families (the poorest quintile) received $13,500 a year in 1979, and $13,320 in 1999. In other words, they actually *lost* in real income over the past two decades. The next quintile (blue collar households) saw their incomes rise less than $100 per year, not a lot of gain to show for twenty years of hard work. The middle quintile went up less than $300 per year, hardly a meaningful improvement over two decades. So altogether, 80% of Americans over the past two decades either lost income or "gained" no more than $300 per year.

Folks, there's only one quintile left, so lets look at it. The richest twenty percent of households saw its annual income increase to $147,800, a gain of about $45,000, or a 43% increase. Now, some of you will be surprised that if you made nearly $150,000 you are in the top quintile in income. But the story actually is far more interesting. Let's follow the trail to the extreme ends of the income distribution. While the poorest households actually were losing money, and working and middle class families saw hardly any gain, how did the very wealthiest households do? During the same two-decade period the incomes of the top 5% increased by more than $100,000 a year. By the end of 1999, their income averaged more than a quarter of a million dollars annually, compared to $13,300 for the poorest quintile.

Yet another way to examine the money trail is to ask what proportion of aggregate income does each quintile get now, compared to before, and compared to one another. This will give us strong evidence about the movement of income over these same two decades, 1979 to 1999. In fact, the first four quintiles actually lost in the proportion of income received over these two decades. The poorest 20% of the population get 4.3% of all income, a drop from 5.4%; working families dropped from 11.6% to 9.9. and so on. Only the top quintile increased its share of the nation's income. The richest 20% now get 47.2% of all income in the nation. In other words, the richest 20% get about as much of the income as do the other four quintiles altogether. The richest 20%'s share of the income is almost as much as the other 80%'s.

Now, hold on. There's more to come. Let's follow the trail to the richest 5%. In 1999, the wealthiest 5% of households got more than a fifth of all the nation's income. Five percent got 20.3% of all income in America.

But if we follow the money trail of not just income, but also wealth, there is even a greater disparity. Wealth, meaning the sum total of assets from savings to investments like stocks and bonds, real estate and other things that can be turned into cash, is far more concentrated than the income levels we have been examining. The poorest four quintiles (80% of the population) owns just 4% of total stocks held. By contrast, the top 1% (not the top quintile or 20% category, but the richest 1% of our population) hold almost half the nation's stocks (47.7%). Through this measure of wealth alone, one percent of Americans own nearly as much as the other 99% combined. It's as if 100 people in this audience worked together to earn a million dollars… only I gave half of it to one person, and the rest of you had to divide the remaining half. You might say that it is not fair.

So remember the concept of the tyranny of averages, how averaging something hides the real effects, in this case the distribution of income and wealth. The recent economic boom made it look like life was better for everyone, but its benefits were highly unevenly distributed when we look at the benefits by quintile groups in the population. And when we extend our analysis beyond the miracle years of the economic bubble, and look back two or three decades, we see an even greater disparity between poor, working and even middle class Americans, especially the richest one percent. Averages, in short, hide inequity. They do not tell the truth about the circumstances of your family or the possibilities for children's future.

In our remaining time, let's look at the factors that are associated with our nation becoming less democratic on the all-important economic front. And then, what can we do about it?

How is it that we have become far less of an opportunity society, much less egalitarian than, say, in the '50s, '60s, '70s, and 80s? Several key factors stand out. First, the percentage of American workers protected by unions has declined by nearly half in the last three decades. In 1973, nearly a quarter of all workers were in unions, and their collective power protected their jobs, insured annual pay increases, and provided health insurance and related benefits. Today, union membership has dropped to just over 13%. This precipitous decline in the percentage masks an even greater decline in numbers, because our population has increased substantially since 1973. A population increase and a 50% decline in unionization means that many, many more American workers are at the job with no real protection from sudden economic dislocation.

Secondly, and as a partial result of the decline in unionization, low-income workers have seen a sharp decline in the value of the minimum wage. In 1999 dollars, that is, adjusted for inflation over time, the minimum wage has lost nearly 30% of its purchasing power over three decades when, in 1969, it was worth $6.77 in today's terms. When I finished college in the mid-60s, the minimum wage was enough to keep a full-time worker, spouse and one child out of poverty. Today, the minimum wage won't even get a family close to the poverty line. In fact, this worker and family will fall about 40% below the poverty line. And when you compare their income to the actual cost of living, they get about a fourth of what they need to live. So even if both parents work full time at the minimum wage, they still earn half of what they need to get by.

The minimum wage has never been indexed to inflation, so it has failed to keep up with the cost of living. As we have seen, its real value has declined by about 30% in three decades. That's a significant drop in income for families not only at the minimum wage but even several rungs up. But of course the decline in minimum wage has been good for CEOs and their corporations because depressed wages for workers mean higher profits for them. And, as we have seen, this is precisely what has happened.

A third factor that has exacerbated the growing economic inequality in the U.S. is public policy or, to be more precise, economic policy. Corporate wealth not only gives higher profits to the few, but it also gives them more power in the political process. Their money, whether in the form of direct political contributions or otherwise, buys them influence with the President and Congress. How does the influence of their money get manifest in economic or tax policy? We have only to look at the recent tax cuts to see.

President Bush came into office at a time that the government had stopped running deficits and, in fact, had several trillion dollars in surplus… enough surplus for years and years ahead. So what did he do? Mr. Bush said the government should not maintain that surplus, we should give it back to the hard-working taxpayers of America. They earned it and should get it to spend. Besides, he argued, when they do, itwill make the economy even stronger. We now know, of course, that it did not stabilize the economy. In fact, most states are running huge deficits and the federal government is now billions of dollars in deficit, because of the huge tax cut that President Bush engineered.

But let's follow the money trail again. Who really benefited from the tax cut? A widowed mom with two kids earning $21,000 a year might be able to use a tax cut because any increase in her earnings could help a lot. But even though this mom pays $1,600 a year in payroll taxes, she did not benefit at all from the Bush-passed tax cut. Not one dime. Well, we might ask, how about those a bit up the economic ladder? A two-earner family with no children earning $38,000 got a cut of $144, a little over 50 cents a day. Or a two-earner family with two kids getting $70,000 a year got a tax break of just over a dollar a day. In short, Bush's highly-acclaimed prosperity dividend wasn't enough for working and many middle class households to buy two extra potatoes each day.

In fact, more than 70% of Mr. Bush's ten-year tax cut now in effect goes to the richest 20% of the population. Just over 1% goes to the poorest quintile, the families that need more income the most. Just over 6% goes to the next quintile, and less than 10% goes to the middle quintile. Can you guess how much of this $1.4 trillion tax cut went to the very richest 1% of the population? More than half, nearly 52% to be exact, went to one percent of families!

To put it another way, the average tax savings over ten years for the average family in the lowest quintile will be $75 a year. For the middle quintile, it will be less than a thousand dollars a year. At the same time, the top 1% will see a tax surplus in their bank accounts of $343,000 each. In other words, when the tax cut reaches its potential in 2010, of the $234 billion in tax cuts scheduled for that year alone, more than half will go to just 1.4 million taxpayers.

The Bush tax cuts went to the people who need them the least. And they went to those who, instead of spending them to stimulate the economy, increased their own wealth through stocks and other instruments that feather their own nest. But we might ask if this impact was intended, or was it a mistake. And if it was a mistake, what is being done to fix the ominous economic trends now in motion that pose a direct threat to your families and you own economic future?

The President recently engineered more of the same. He had a plan. First, he is proposed more massive tax cuts for the wealthiest Americans by making the ten-year cuts started in 2001 a permanent feature of tax policy. Second, he is still pushing repeal of estate taxes, what he calls the “death tax.” Now, by this example, we can see how political leaders mislead the public. A death tax? Sounds horrible doesn’t it. No one should have to pay to die; it’s not fair. Bush must be right, let’s abolish the death tax.

Well, as it turns out, the ability of rich people to pass on vast amounts of accumulated wealth to others upon their death is one of the biggest factors driving the sharp rise in inequality in America. Do Donald Trump’s kids actually need $80 billion when he dies, or might they be able to try to squeak by on, say, just $40 billion? After all, no one needs this kind of wealth, but there’s an even stronger case to be made for an estate tax on the incredibly wealthy. None of them is really self-made. Most of them had a lot of luck and no small amount of help. Many corporate millionaires hid money and used corporate loopholes to avoid paying any taxes at all. Others received help in the form of write-offs and discounts on their federal taxes. Others got special bail-out loans from Congress to keep them from going bankrupt.

Now, we are told to pity them as they die because they may not get to pass along all the billions they never would have made anyway without getting advantages none of the rest of us get. There is no such thing as a “death tax” despite what the President calls it to confuse the issue. The current estate tax doesn’t even kick-in in any meaningful way until one is a multi, multi-millionaire. The President’s rhetoric is all about “compassionate conservatism” while helping the nation’s truly rich become even richer.

Ladies and gentlemen, America is the richest nation in the history of the world. But when we follow the money trail we learn at least two important points. First, we see how unevenly income and wealth are distributed, and that these inequities have very little to do with how hard one works. We also learn that these tremendous disparities do not happen by accident, good luck, or the laws of the market place. In short, we are a very non-egalitarian, two-tiered society, and this condition is the <u>direct result</u> of laws and other policies promoted by the President and passed by Congress. Wealth begets power, which in turn is used to buy influence that produces more wealth. In short, it was not an act of god or the normal flow of the market place that divided up a trillion-plus tax cut and gave almost half of it to households whose average income (2010) is $1.4 million… and gave a few hundred or less to your own families. It was public policy that did it – the President and Congress. It was no accident, no luck of the draw. It was a planned robbery.

This outcome was due to the same powerful interests that have been at work for decades. The recent tax giveaway for the wealthy is but the latest in a series of policies. Remember that Congress has refused to index the minimum wage to inflation and, as a result, the real value of low wages has declined. People now work longer hours for even less money. Remember how union membership has declined by over 50%, leaving more families without wage and salary protections, much less job security. Remember the 41 million people who have no health insurance. And remember the 33 million people in households that experience hunger and food insecurity.

None of these outcomes is an accident in a wealthy nation. They result from human decisions: things done to us by others because we don’t vote… or because we fall for political campaign lies and vote for the wrong people. Think how many people around the nation recently voted for candidates who enticed them with “cutting taxes,” and then assumed that this meant they could keep more of what they earned. They forgot to follow the money trail to see who gets the benefits when politicians promise to cut taxes. They forgot to think about what it means when our government runs a surplus, but then gives it away to the very wealthy instead of investing in health care, the minimum wage, education and ending hunger.

But… but, things do not have to be this way. We do have positive alternatives. Things don't have to be like they are. Deeds that are done by humans can be undone. Other industrial democracies are much more egalitarian, and we can be too. Much of it depends on who we vote for and what we demand of them.

So what are we to do about poverty? What are we to do about the terrible economic insecurity felt by so many Americans- yea, by the majority of us? There is a different approach we can take. There is a different policy framework that can be adopted as domestic policy for the United States. And while no one framework will be a magic bullet that somehow makes everything suddenly all right, it can reduce poverty significantly, and also reduce many of the problems you address on a day-to-day basis. This new framework already has a name, asset policy. The core idea is that federal policies should invest in the capacities of all households -- low-income households just like the rest of us. In other words, poor people and others should be viewed as investments to help build a stronger nation. They should not be seen as somehow different form the rest of us, but as families and children in whose capacities and independence we invest so that they can become productive and self-sustaining.

If getting federal benefits makes one a welfare recipient, then every one in this room is on welfare. All of us get key benefits from the government: pre-tax retirement accounts, home mortgage deductions, subsidized college loans and group health care. We don't think of it as welfare however, because these are things that help us live better and become self-sufficient. It helps us to achieve and maintain a middle class lifestyle. We see it as an entitlement, part of the policy landscape – everyone gets it.

But the problem is that everyone doesn't get it! Low-income households are left out of this benefit structure. Government policy encourages us to acquire more and more savings through 401(k)s and Roth IRAs, but the poor are penalized for trying to save. If a poor working family has to apply for food stamps, even if they have no food and no money at the time, they cannot get food stamps if the value of their car is over $5,000, or if they have more than a certain amount in savings. In short, what is virtuous for the rest of us is a crime for the poor. What we get is seen as an investment, what they get is seen as welfare. We play in the system, they have to live outside it. Worse yet, government policies penalize them even for trying.

The irony is that asset-based federal policies literally built the middle class in America. Aside from the current examples that I have mentioned, their history goes way back to the Homestead Act that gave families land, and the G.I. Bill that educated a generation of veterans. All of these things the federal government did, and they worked. Government largesse – government investments – made us a largely middle class and prosperous nation. The challenge now is to alter the benefits structure so that those left out also can play. What would this look line?

Assets are resources and capacities that enable us to achieve social mobility and economic security. We all know examples of collective assets, things that benefit us all such as highways, railroads and public schools. But it is in the arena of personal or household assets that we can alter the landscape of poverty in America. There are three kinds of individual assets: income, financial assets or savings, and human capital. We all know what income is and I'll return to it momentarily. Financial assets mean wealth-building, a bank account, savings for a first home or college, and retirement plans to sustain us in old age. Human capital means the education we receive, whether college and beyond, or technical training that gives us the skills and capacities to be self-sufficient. All people, every family, needs these three kinds of assets. Having them is not a guarantee against the vicissitudes of life, but it does mean that when faced with difficulty we are more likely to bounce back. Having them gives us some modicum of self-sufficiency and security; not having them is almost certain failure.

What would a domestic policy framework based on asset-building policy look like? First of all, it would mean that governmental policy would treat all households as targets of investment, rather than some of us as contributors and others of us as drainers. It also would mean that we could move away from the two-tiered system where we use the tax system to confer benefits to some of us and the welfare system to confer fewer benefits to others of us. In short, government benefits would go to everyone, and they would be seen as asset-building investments.

Low-income households could be brought into the financial assert-building arena in a number of ways. These could include tax-favored savings accounts with refundable tax credits to match individual contributions made by low-income families. The government could make it easier for small businesses to offer pension plans. Individual retirement accounts could be matched by the government or employers. And other ideas, like a national KidSave could be adopted, a savings account of $1,000 established for every child at birth and $500 annually for the first five years to be used for specified purposes like college, a first home or retirement.

In the area of income, low-income workers need what the rest of us have, sufficient remuneration for their efforts so that they can raise their families out poverty. No family that plays by the rules should earn too little to get out of poverty; it's simply not fair. In this spirit, we could raise the minimum wage and index it to inflation to insure that it at least keeps the working poor out of poverty. We could broaden the (Earned Income Tax Credit (EITC) and better integrate it with the current tax structure to reward work. And we could modernize the unemployment compensation system to reflect the nature of the changed economy like the kind of jobs, their duration and stability.

The idea of a new domestic policy framework based on asset-building provides an historic opportunity to address poverty and growing inequality, while also speaking to the shared values of opportunity, fairness, self-reliance and reward. It has the potential to minimize traditional divisions based on race, class and gender, because it speaks to the common needs of all individuals and families. Because of its appeal to shared values it offers a true solution to poverty, a landmark change that can impact our society itself and even our moral authority in the world.

As I close, I do so with hope. Two years ago, when our daughter became a bat mitzvah, she pointed out that achieving social justice is too important a responsibility to be left to any one generation. It is a responsibility that is inter-generational… it is a vision that links us all together. But even while we keep our collective eye on the goal of a just society and a just world, I also believe that our generation has an opportunity few have ever had. We have the opportunity to crate a new "social contract" for America. We have the chance to step into the awful, unfair mess we now have, to offer a vision of a society where all people can experience meaningful opportunity and achieve basic economic security.

All the abject meanness we hear from politicians, all the selfishness we see in the marketplace, and all the intolerance we hear from across the world, certainly represent a dark cloud over humanity. Together, they comprise a long, dark night for those who simply seek to exist and to raise their families. We also know vividly that history has been even darker before. But it is never dark forever. And the darkness of poverty, hunger, and economic injustice can -- and I believe will – lift again. But it will do so only if enough of us ordinary people say enough. Enough of things as they are. We have a different vision. We demand a new way. We will have a new day.

Thank you very much.