Poverty and Inequality: Albatross or Opportunity?

Address by Dr. J. Larry Brown
Tri-State CAA Conference
Cape Cod, MA
May 19, 2004

Ladies and Gentlemen:

Thank you very much for the opportunity to address you today. You are a very special group of people… so special in fact that I might be tempted to paraphrase President Kennedy: this may be the most awe-inspiring group that ever met, except for the time that Saul Alinsky dined alone.

I am grateful to join you. My life has been blessed with friends and colleagues like you, people who are drum majors for justice… people who have a vision of a nation that provides true opportunity for all… people who are long-distance runners who know the true goal, and do not get misled by the ideological detours and dead-ends of the moment.

Moments ago I mentioned that great community organizer, Saul Alinsky. I must admit that I wondered if many of you might be too young to know of him. I will not ask, but I would like a show of hands as to how far back you go in your anti-poverty work. How many of you began your work in this area this decade or in the 1990s? How many of you go back as far as the 1980s, the Reagan years? How about the 1970s? And does anyone here have a history back to the 1960s?

I would like to talk with you about current trends and unique opportunities. In fact, I have titled my remarks "Poverty and Inequality: Albatross or Opportunity?" Albatross is a harsh word, but perhaps each of us sometimes feels that we have a thankless, nearly hopeless job. If you're for justice and against poverty in today's society – especially in the Brave New World of the Bush Administration, where double-speak and cheap photo ops mask a multitude of grave sins – if you are for justice and against poverty, you don't simply have an albatross around your neck… you *are* an albatross: a nearly extinct creature.

But I daresay that in our "albatrossian" heads we have some experience and knowledge that can serve as the basis for a new, meaningful way to re-visit poverty policy in America. It is likely to be the way that brings the long-term impact we hold as a hope in our minds. But before I chart out this new course for your consideration, let's look briefly at where we have come from.

Nearly since our birth as a nation, the way we frame well-being has been through the "protestant ethic and the spirit of capitalism". Still alive and well today, this ethic essentially leads us to believe that if we work hard and are righteous people, we will be rewarded in the marketplace. Conversely, those who have a hard time, or even fail, have personal if not moral blemishes. The good are rewarded with well-being, and the poor get what they deserve… what they bring on themselves. Of course it is not too surprising that it was the rich who promoted this ethic the most. They owned the denominations that preached this social gospel, they hired the ministers, and they got the message they wanted to hear. Capitalism was good, government was bad, and simply leave it like that.

This cozy little arrangement worked quite well for the better off, right up til the Great Depression and the crash of the stock market. These events laid bare the claim that poverty is due to laziness and moral depravity. Capitalism itself was under scrutiny. Ah, the sweet Robber Barons: to show that they had learned and that they now were flexible, they endorsed the New Deal. The New Deal was an agreement that government has a major role to play in insuring social opportunity and well-being. While it provided (and still provides) many "safety net programs still in effect, it also was a bail-out for capitalism. The nation would continue to rely on largely unregulated raw market forces, but government also would be a social investor to build the middle class. Moreover, vulnerable people would get some protections… and capitalists would get a lot of help through tax breaks and other forms of government largesse.

All of these things played out, for better and for worse, and then along came the Civil Rights Movement that raised issues of equality and opportunity not only for African Americans but also for the others whom Congressman John Lewis calls the "left out and the left behind". Then along came a guy named Michael Harrington who, in his book, *The Other America,* revealed America's dirty little secret. And then, of course, came Martin Luther King, Jr. and Robert F. Kennedy, and then the War on Poverty.

That War, and that period of social foment, more than anything else defines where we are – and are not – today on the issues of poverty and injustice. For a period of time we really were gearing up to fight a war against poverty. But it got way-laid by two factor. One was the Vietnam War that ate up needed resources and distracted our leaders. The other was faulty ideology. Instead of fighting a War on Poverty, we fought what Bill Ryan called a War Against the Poor. Rather than taking steps to see that policies were changed to give poor people true opportunity, and rather than focusing on private and public structural barriers to meaningful participation in our democracy – major outside factors, in other words, that hamper the poor – we instead decided that we needed to change the poor. They needed to be counseled, constrained, educated and dealt with (as if they are children).

It was at this critical juncture that we lost the War on Poverty, at least from then until today. Sure, we made some progress. They were some victories. But for all practical purposes, we lost from then until this very moment. For about the past thirty years little has changed. Each year, year in and year out, we have about 30+ million people living in poverty. And we have about 30+ million people going hungry. Sure, the trends go up and down from time to time, and the trend in child poverty has gotten worse. But by and large, America is a nation going nowhere in terms of equality and opportunity. In short, we are in no danger of improving.

Now, many people find this kind of talk astounding. Some say it exaggerates the true picture. It is hyperbole. But if you listen to those who make such allegations, they almost always are the rich or the apologists for the rich. The real threat to truth and social justice comes from those who purport to care about ending poverty… but then take actions to perpetuate inequality. They use nice-sounding terms like tough love, welfare reform, and equal opportunity for all, but then do things that perpetuate inequality and the status quo. And yet another group who prevent us from achieving the goal of a just nation are those who say, well, it'd be nice but we just don't have the money. We really cannot afford it. We can't "throw money" at poverty. These views are wrong.

Over the next few minutes I want to examine income and wealth trends with you to see if this is the case… whether we haven't enough money, and whether low-income households are a burden on public resources. And then I would like to tell you how I think we can get out of the mess we're in… how to get from the albatross to real opportunity.

In the arena of economic crimes, investigators follow the money trail. The same strategy can help 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 middle class 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 weeks 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. “Welfare reform” to many politicians only means dumping the poor off the rolls while leaving them in 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 among 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, 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. 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, it will 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. 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 $75 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? In short, what is a really meaningful "community action agenda"?

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… and so in Donald Trump. 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 build 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 $5,500, 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 and housed 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, homeownership, 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 later 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.

Already the concept of a new social contract, with asset policy as its cornerstone, is taking hold. Some of this is due to work of those in the room today as well as that of others. Some of you may know that the United Way of Mass Bay is moving its focus from specified contributions to selected agencies year after year, to one of investment in social change. Increasingly for United Way agencies, the bottom line will be to demonstrate how their work helps to make a true difference in family asset development – higher incomes, more homeownership and wealth-building, and greater education and training.

In closing I want to be very clear about where I think we are: I believe that our generation has an opportunity few have ever had. We have the opportunity to create a new "social contract" for America. We have the chance to step into the awful, unfair mess we now have, to promote 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 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.

I am grateful for your work, and for the fact that you represent the best of the term "long distance runner". I believe that galvanizing the nation over the coming years to create a new social contract for decades to come will come largely out of experiments, debates and vision within the states and regions of the nation. I believe it can and will come from poverty fighters, organizers, leaders of community action agencies. I challenge you to get the asset policy frame in your heads and push it for all it is worth. We can and will have a new day.

Thank you very much.