Welcome. You are listening to the UC Davis Center for Poverty Research Seminar Series. I'm the Center's director, Ann Stevens. This series brings scholars and policy experts from around the country to discuss their work on poverty and poverty research. In November 2012, we hosted Sheldon Danziger. Who is director of the National Poverty Center at the University of Michigan, where is also a distinguished professor of Public Policy.

His research focuses on trends in poverty and inequality and the impacts government social programs and economic and demographic changes have on disadvantaged groups. Here is Danziger presenting his seminar, poverty and anti poverty. After the great recession.
>> I'm going to I know Peter Lindert is here so I'm gonna, I'm not an economic historian like Peter but I'm gonna spend a little time talking about recent economic history.

And then talk about some early findings from the Michigan recession and recovery study that we're doing at the National Poverty Center. Talk a little bit about how one might reduce poverty and promote opportunity in the next decade, but my bottom line is actually a very pessimistic one. I was, I gave a talk like this.

In June of 2009, and I was quite optimistic at the time, and I said it was the best of times, and it was the worst of times. And I said it was the worst of times because unemployment was about 10%. And I said it was the best of times, because the, 2009 stimulus, which had passed, in February of 2009.

Had in it, all of the aspects, that poverty researchers had been talking about, for the previous 15 years. A number of, specific policy changes, and I'll talk more about them, the earned income tax credit, head start Pell Grants, etc. And that, you know, the Obama administration was planning to make these things permanent.

And that, of course, by. 2012, the unemployment rate would be back to 6%. And these policies that were in the stimulus would be permanent, and then we might expect poverty to fall, below the levels that we had seen, since 1973. We, we never got below 1973. We got close in 2000.

And so I was optimistic then. Now, we're obviously better informed than I was. In 2009 the unemployment rate is still 8%. All of these aspects of the stimulus. Most of them have expired or will expire. And we're waiting to see how big the cuts are going to be in the programs that I thought would be extended.

So I actually think there is no possibility. That poverty and inequality are gonna decline significantly in the foreseeable future. So from optimism to pessimism I a lot of people know this, but I know at least a lot of people in economics know this Hillary and Ann and Mary Ann have written a lot of this themselves.

but, for a broad audience I'll go quickly through, but and the reason I want to do that is because the post war on poverty decade really was a golden age. Of, Social policy, Coming at the end of a quarter century golden age of economic growth, And, The War on Poverty has a, Very negative.

Perception Mary Ann was telling me, I hadn't seen it, that the Wall Street Journal recently had a piece by Jerry Becker and Jim Heckman saying the war on poverty filed. Martha Bailey and I have a volume which. Under review called the Legacies of the War on Poverty. And we actually think, lots of War on Poverty programs made remarkable changes and that poverty would be a lot higher than the high rate today, if these programs hadn't been put in place in this decade.

But what's. In historical retrospect from the current perspective, I guess the soundbite I would say. Is, as somebody who, had a very different view of Richard Nixon in 1974 than I have today, You know, Richard Nixon's social policy was much more liberal than Bill Clinton's social policy. So, in retrospect, the good old days.

Carried through the Nixon presidency. So, this post war on poverty decade really goes from Johnson's Declaration of War on Poverty in 1964, through Nixon's departure from the White House in August of 1974, and in fact the reason I remember this so specifically, as I started as a post doc at the Institute for Research on Poverty in September of 74.

And every fall is when the poverty numbers are announced. And so the low point is the poverty rate of 1973, which was announced in fall of '74, but is Nixon's last year in office. So this is this remarkable period in which there both is this rising tide that does lift all boats from the period from 47 to 73, that were modest recessions rapid wage growth for all workers and I have a little data I'll show after for this word.

The spread of employer provided health insurance and pensions in this quarter of the century, Congress is raising the minimum wage relative to inflation. In current dollars the minimum wage is something like $9.50, in, 1973, it's seven and a quarter today. So, minimum wage has been lower. and the poverty rate has been higher for almost every year since 1973.

A period of rapidly falling poverty and slowly falling income inequality, and again people know this. Since then poverty, which was about 11% in 1973 hit 15% in the early. ' 80's recession and the early' 90's recession and in this recession poverty was falling during recoveries but never back to the' 73 levels less educated workers no longer benefit from economic growth.

Inequality increases rapidly and we have an effective safety net only for the elderly. For whom poverty is substantially than in 1973 and who, because they have inflation protected Social Security and SSI and uUiversal Health Insurance with Medicare and Medicaid for them they don't. Suffer during business cycles the way others do.

This is, just simple descriptive data which captures this notion of a rising tide lifting all boats on the left, basically, everybody's, real family inflation adjusted income doubled. Between 47 and 75. Peter Gottschalk and I in our book, America Unequal, do some fancier computations on this but simple charts are enough.

If anything the 95 percentile is slightly lower then the other percentiles but basically a rising tide means all boats, lifts all boats. THe bars on the left basically are around 90%, 90 to 95%. And there, so the level, the level of growth is and it's evenly distributed. 75 to 2010 nice little step ladder, with.

Those at the bottom in gaining relatively little. Those at that top gaining relatively little relative to the growth in this golden age that ended in 73 but none the less rising in equality. So when people say, you know, obviously the war on poverty failed because poverty is still high, that's again a simple senseless chart.

I've done some regression things. That are, that are a little more complicated than this. But basically, nobody when Peter and I, and Hillary's father were all left IRP in the mid 70s, and had been asked what is the, Median earnings of men going to be 40 years from now.

Nobody would have said it's going to be the same thing, and that's basically it. So in my, you know, the whole story, why is poverty so high, it's because median earnings of male full time, full year workers stopped growing. This is obviously a group. If you work full time year round, you don't get unemployment insurance, and you don't get welfare.

So it's not the negative response to rising government benefits that people would say. And then in some sense this is the remarkable Period. I don't know. Peter, is this, were there other previous periods in American history with this longer period of no median wage growth?
>> But that was a decade?

But-
>> A decade and a half at the start of the 20th century. But. This is, this is pretty outstanding especially sense it's immediately proceeding as you showed me on the
>> Just a doubling. Right, right, so this and, and in some sense, that's the. If you listen to the politicians, the assumption underneath the view that we that we should never raise tax rates is that a rising tide still lifts all boats, I mean, just, and it did from 47 to 73, it just hasn't from 73 to 2012.

I'll just flip through this. People know this, so that, that's all men, this is by educational attainment, where the gains are for people with BAs and higher degrees. That's the same data, Household income by quintile, there's one in here, that's the official poverty rate, I'll go through this pretty quickly, but, again one of the things, I've said when people talk about oh, it's terrible under Obama the poverty rate rose and it's fifteen percent, there was actually a higher increase in poverty.

During the first Reagan, I couldn't get any reporter to report that, but I talk to this.
>> When the poverty numbers came out, isn't it terrible after all the stimulus, That Obama put in place. Unemployment is sti, look how high unemployment is and poverty is 15%. And I said well, the recession in the 80s wasn't that severe.

And it hit 15%. And if you actually look at the data it would, it went up more under the first Reagan administration. again, this is well known territory to a economists. They people argue over how much the various sources have to do with the high rates of poverty stagnation of male media earnings and rising in equality, skill biased technological changes, globalization.

Declining unionization, erosion of the minimum wage, declining progressivity of the income tax, the explosion of executive pay, it's all of the above and people have their different choices, but the point is there really has been nothing going in the way of reducing an inequality. Except the expansion of food stamps, the expansion of the earned income tax credit, which for historical reasons, don't get counted in the official poverty rate, but clearly are progressive policies.

That have been put in place and have grown over the, the past years. Again, this is the same thing if somebody said well what about after tax income you basically see the same kind of thing. So whatever measure you use you'll see a stepladder moving up. Oh, I know why I have this one because of the top.

1% so, the ones, in other words, even the top 20%, haven't done that with a relative to the top 1%, but again and this is after tax, this is the CBO data and most people think this are. Most reliable, carefully done and I think they've also, and I can't remember if these also adjust for different persons.

So it may,
>> So, that brings us to the Great Recession and it, it, the point at which the Great Recession would be expected to raise. Poverty and inequality. The recession, was deep, about 6% of all jobs were lost. I have a, maybe it's the next chart that shows in the 80s, only 3% of the jobs were lost, so this was twice as severe, and partly why I say, oh so poverty.

If, when, if you had asked me in 2009, I would have thought. Poverty would have hit 17, 18%, not 15% as a peak, because we lost so many jobs. It was accompanied by a labor market crisis, a financial crisis, and a housing market crisis. Yeah this is, this is from, the Economic Policy Institute, but.

So this, recession is, twice as deep; we're at 94%. We lost 6% of jobs. Whereas in 81, we only lost 3%. But the point here is that, in 81, the recovery was quick. So that by, 24 months from the beginning of the recession, you were back, at the same level of jobs.

Then in 2000 it was a very shallow recession, we never lost more than 2%, but it took four years to get back, and people talked about the 2000s as a jobless recovery. And before the recession I think Paul Krugman was talking about the 2000s of being a lost decade.

Cause median family income never recovered. Where you sort of have the worst of both worlds here, you had a very deep loss and then a very slow recovery. Michael Greenstone and Adam Looney at Brookings put out projections. And I believe the last one I saw said if we begin to create 200,000 jobs a month which we haven't yet begun to do.

But assuming we did, we would get back the same number of jobs. Five years from now. Something like that. So, Nobody is predicting, A very rapid recovery, which, it. Part of the reason why I expect poverty and inequality, To stay so high, So, that brings me to some new data that I want to talk about that a group of us at the Poverty Center have been.

Working on, and it's sort of if there's a message from this it's that the effects of the recession were even broader than one would think based on unemployment. But maybe not in California. And the reason I say this is, again, when I was talking to Mary Ann, and I was saying about how few of the people in our sample, you'll see that in a minute, weren't affected by the recession.

So, I said, you know, we give people these calendars and we ask them in every month. From January 07. We interviewed people twice so you sort of get a two year calendar in 09 and then another two year calendar in 11. And if you asked me what I was doing every month, I would just take the line from employed and draw it right across the 48 months.that's pretty quick to do.

Lots of people obviously have to think let's see I was laid off in this month, then I got my job back. Then I got my job back. And I said it's remarkable how few people just had that employment across the top. And then I realized that in our data, Davis faculty don't show up in that category because.

There's also furlough wage cut etc, and so all the California faculty are in this group. No unemployment, but still effected. So, maybe people in California wouldn't be as surprised when we show that the extent of these effects. This study sort of had its political background in a welfare reform panel that a group of us did from 97 to 2003, where we followed a panel of welfare recipients and sort of, our niche was that we.

By definition weren't going to be as big as the PSID or the NLSY or the SIP, but that we had this very broad range of questions sort of think of it as the health data sets have great data on health and mental health, but really bad data on.

Jobs and economics the Federal Reserve board does a really good job on assets, but they donâ€™t get anything on health and mental health. And we would try to get, with this multi-disciplinary team, lots of information. So you. Have the kinds of data we have. And we're just beginning, we now have panel data, interviews in 2009 and 2011 and these calendars that go from 07 to 11 on the employment side.

So we have this broad range. And looking at this broad range, in some ways I was surprised at the extent. Extent of the hardships I'll show you. This is not the city of Detroit, it's the three county Detroit metro area, so it includes the wealthy suburbs as well.

In fact the median income of the Sample is, is, relatively high. 41% of all respondents were unemployed in it in at least one month. And again, this was in my optimistic days in the depths of the recession as lots of people who I knew lost jobs through no fault of their own.

I thought that, oh this will lead like the Depression led to this perception that people who were unemployed aren't. lazy, and they weren't laid off because of there own incompetence so it will change our perceptions of the unemployed. And, I haven't seen that lasting very long either. About 38% were employed in all months.

23% were behind on rent, mortgage, or in foreclosure. 13% had been evicted, homeless, or moved in with others. This is a random sample of people 19 to 64. These are very deep. Now, the recession in Michigan and in Detroit was deeper than. It was elsewhere. I think I have it here, but if I don't, as I recall the unemployment rate in Michigan hit 15% when it was 10% at the peak in the US.

So, not everybody in the country suffered as much, but certainly. There were places that were as hard hit, Oh. There it is. So, this is, Now, this is the. This is our sample, So, this is the monthly unemployment rate. And, you can see, I was talking to one of your doctoral students today, who's interested in young adults.

The young adult unemployment rate. In January 07 was already higher but, youth disproportionately bore the brunt. The other thing you see is that there is not surprising by March 2011 when we were in the field. I think the national unemployment rate was 9% then. For mature adults which in this sample is 35 to 54 the unemployment rate was still 12%.

No that's mature adults is 55 and older, the prime age rate is 35 to 54, the youth rate still. So, there was very little recovery where, I think we now have the money to go in in 2013 and we'll see the extent to which, Some of these hardships have gone away.

These are the residents experience at least 12 months of unemployment, which is our measure of long-term unemployment, I guess the point I would make is, even, 9% of the people who have a BA had a spell of 12 months of unemployment or more. Obviously in any data set you will see large black, non-black differences.

Large BA, no BA and large blue collar white collar. But certainly the extent of long term unemployment was widely distributed. Long term unemployment is. Clearly associated with, these hardships. But again, I, was, surprised at the extent of problems, so the blue bars are people who had no unemployment.

Now, that could be. They were not in the labor force. They were retired. They were disabled. to, this is not the data for people who worked in every month, but. again, the blue bars are pretty high. 24% food insecurity. This is the standard USDA measure. 20% of housing problem.

I, I'll tell you in a minute what the financial problems are for gone medical care. It's always the case that the long term unemployed have more of it, but again. I was struck by how broad the hardships are. The same thing with health and mental health, the red bars are people with no unemployment but people talked to you in the survey.

These are in home interviews and. It's, it's, Survey of about an hour, but there's also some opportunity for people to say things that get written down by the interviewers. So, you get, Quite a lot of depression, anxiety and fair or poor health, In the no unemployment. Although, again, these are.

Much higher, for, people who've been long term unemployed. This is hard to see, but this is that the, so the Davis faculty are here. Any employment problem but no, unemployment because employment problems includes layoff, wage reductions, and furloughs. And, again. you can. But, you can see, No employment problems since January 07, This, Is, is only 26% of the population, who basically would have drawn.

As I would have a line across employed and even groups, like people with a BA while there more likely to have significance. This is the people who were both unemployed at the second wave. And had 12 months of unemployment since 2007. The way this is done, some people could have had 12 months unemployed since January 2007, but were employed in 2001 and that's why that previous figure had more unemployment.

I'm happy to take questions, everybody's so quiet. Yeah, Anne?
>> Collect anything on the income changes for these long term unemployed people. I have not actually seen anything reported on
>> We have, we have detailed information, I have something coming up on transfer receipt.
>> Yeah.
>> And part of this is, is you can imagine cleaning these data sets.

Is very complicated
>> Yeah.
>> And so we rushed out basic, there's, there's, there's a few analytics in here but mostly descriptors but we do know, so there's a paper on the people. Who people who were below the poverty line, the extent to which they got public and private transfers, and we have the extent to which people get UI.

I get to summon that. So we have, we have all of that. The what we don't have. In retrospect we it, I'm not sure we could have figured out how to do it. We don't really have good data on consumption. So you know, people would say things like.

The reason I avoided foreclosure is because I spent down my kid's edu-, I had been saving for my kids education. And I spent that down and we avoided foreclosure. And we will observe a decline in assets. But the way we have the assets is we can't de, determine whether the decline in assets.

was due to their having lost value in the stock market or having spent down. The only thing we explicitly have and we'll have a paper on this, are people who withdrew from their retirement account. We explicitly asked did you stop putting in, did you take out? And there, again, this is the.

The likelihood of various dimensions of inequality continuing in 2009 with the DOW at 6000, certainly everyone I knew made the jokes about 401k's being 201k's, but by 2011. There's increased inequality in assets because people who are laid off cashed out at the bottom to maintain consumption. So, there was big inequality in assets in 2009.

And it's increased by 2011 because, so if you're a faculty member and every month you're working the TAA contributions are going in, and then the market goes back up. No faculty are making jokes about 201k's cause it's probably what 385k's now, but. Maybe 15% lower than it was whatever, but.

And so, in the PSID data which I don't have here but we've looked at the PSID wealth data the Gini coefficient of wealth inequality has continued to grow over this period. And I think the long run implications might be that you would really expect. That to grow even faster than income inequality, because people more quickly, you know if, as the unemployment rate falls to 6%, the earnings inequality will begin to fall much more rapidly than the wealth inequality.

So we do have that, but I, I don't have a lot of that here. I'm gonna skip over this, but this I wanna remember what the financial problems we have on being behind on utility bills recently using the pay day loan, recently having a credit card cancel, and recently going through bankruptcy, so this are not.

Minor financial problems. The housing problems behind on rent, behind on mortgage, move for cost, move in with others to share expenses, evicted recently, and experienced homeless recently, and these usually mean in the last 12 months. And this may be hard to see, but again. What struck me is, so 32% of a, random sample had one of these housing problems.

Which are pretty severe, 10% had them in both years. Food insecurity, I, I kept saying is, are we sure this is right? It just seemed too high for me. But everybody says they benchmarked it with the CPS. this is not hunger, this is, which is much smaller, but roughly 30% show up as food insecure in this USDA measure and this is, did you not go to a doctor or a dentist because you couldn't afford to do so.

You know, and that's a quarter of the people in, in the two surveys. So, these are, you know, pretty extensive levels of, of hardship. This gets a little close to what Ann was talking about because we, have looked at detailed benefits. I guess that, again, the conventional wisdom, about the safety net, the, the good news here is most people who are below 200% of the federal poverty line are getting at least some benefits.

Private charity is really trivial in part because the charities begin to suffer at the same time that. Need increases. I mean, as an example, when I say people laid off through no fault of their own, I had a niece working in New York at the Lower East Side Museum.

90% of their donors who usually made annual contributions at the end of the year,. Had there money with Bernard Madoff.
>> Needless to say most of the staff there were laid off. I mean, and so that's an, that's the extreme example of why. The recession response to charity is gonna be as low but again I think there's always this, oh, we'd be much better if people didn't have to pay taxes and were able to give money.

Through private charity, but the benefit, at least that self reported receipt of food or shelter assistance as you'll see is quite low, so yeah.
>> It's hard to tell from this study though, what, to what extent this is about. The problems of Detroit the Detroit area as a mature manufacturing center.

Of what extent a lot of these problems people would have even before the recession came. So did you have any idea of how you would establish some kind of baseline?
>> Yeah, and that's to, and so basically what we're, what we're starting to do is to look at things like people who had

no.

Unemployment spell prior to wave one. What kinds of changes. So, we're literally. This is data that, a bunch of people rushed to get some descriptive papers ready for the APAM meeting, which was earlier, in November. So, that's exactly right, But we do have people who had no recent history of unemployment, getting laid off, and what happens to them and then we also have people coming back, so at this point this is very descriptive and I'm not making any causal statement.

You would expect the changes to be bigger in this area because the hits were better but in a small sample that actually makes it better because you couldn't do a study like this in an area that went from, I don't know. 48% unemployment, you just wouldn't have many, as many people.

>> I'm Ann Stevens, the Director of the Center for Poverty Research at UC Davis, and I want to thank you for listening. The center is one of three federally designated Poverty Research Centers in the United States. Our mission is to facilitate non-partisan academic research on domestic poverty, to disseminate this research, and to train the next generation of poverty scholars.Core funding comes from the US Department of Health and Human Services.

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