>> Welcome. You're 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 May 2012, we hosted Katherine Newman and Rourke O'Brien, who recently co-authored the book, Taxing the Poor, Doing Damage to the Truly Disadvantaged.

The book argues that tax policy targeting he poor contribute in unrecognized ways to problems like obesity, early mortality, high school dropout rates, teen pregnancy, and crime. Newman is James B Knapp Dean of Arts and Sciences at Johns Hopkins University. And O'Brien is a graduate student of sociology and social policy at Princeton University, and a fellow of the New America Foundation.

>> Well thank you very much for having us, this is really a treat to have an interdisciplinary audience like this and, to have a chance to talk about this project. Which as I mentioned to some of the graduate students that I met, has two origin points. And I'm gonna tell you about both of them.

One is that I was invited to come to the state of Alabama in the fall of 2008 I think, I can't remember anymore. It was either 2007 or, eighth.
>> Seventh.
>> Maybe it was 2007. Having just published the book called The Missing Class, which was on the near poor.

I was invited to come and help some colleagues at this organization called Alabama Arise, which is a church based organization that works on tax issues on behalf of the poor. To help them advocate for the repeal of a tax on food for home consumption. Which in most Alabama, counties and localities amounts to between 10 and 12%, on food for home consumption.

And I had never, ever heard of such a thing before, and got very interested when this effort to repeal this food tax failed miserably. On where else in the country this practice of floating the public sector on the back of such incredibly regressive taxes first of all. Oh my goodness, do you want an actual chair?

so, I, I'll tell you a little bit more about that in a moment. But the second origin story, has to do with how I found Rourke O'Brien. Who was coming into the Princeton program in sociology and social policy, from his undergraduate work at Harvard. I had been at Harvard for eight years, before I got to Princeton.

And, one of his recommendations came from a colleague at the Kennedy school, that I knew very well, and it was the single most memorable letter of recommendation I've ever read. When on at great length about Rourke's extraordinary work in public policy topics and I thought, mm, that's just the person I need for, for this project.

Because by the time I got back to Princeton from this Alabama trip I decided that there was a, a research project in what I had observed there. And I took Rourke out breakfast about three days before his graduate school career began. And knowing that he knew absolutely nothing about what was about to hit him invited him to work on this project and co-author this book with me.

So that's, that's called academic cradle-robbing, and I highly recommend it.
>> It's a, it's a great way to find extremely talented people, and since then, we've been on a, doing a road show. We started off this road show we've taken this, this, before the book was done, we debuted this at Michigan, Stanford, Berkeley, Northwestern, Harvard, where else, I can't even remember all the places we've been.

>> Princeton, and Hopkins.
>> Princeton, Hopkins, yeah. And, about half of those talks were done before the book was put to bed, so to speak, and it was extraordinarily helpful for us to get this, the feedback that helped make it, we think, the best project it could have been at the time.

now, of course, it's too late for you to affect anything.
>> But we hope you'll still find it interesting. So, the original question of where else in the country, do states tend to rely on regressive taxation for the support of the public sector, yielded a map that looks like this.

This is in particular a map of taxing food for home consumption, and so there you are. You can see Alabama in dark green there and this doesn't look like a random sample of American states, does it? It has a particularly pronounced regional orientation coming out of the south, radiating out of the deep south and, and extending throughout the rest of the southern states.

And I found this quite interesting for a number of reasons. First, sociologists, typically, don't look at regional variations. Sociologists of poverty, in particularly, tend to be interested in national data, national trends, and not particularly sensitive to regional difference. historians, of course, are very sensitive to regional differences. That's what they're all about.

But this topic has not occupied much interest among sociologists, and it's not just a historical topic anyway, it really does creep right up into the present day. So what you see here is that there are as, of 2008 anyway, there were 32 states and the District of Columbia that fully exempt food for home consumption from state and local taxes.

The remaining 18 states treated rather differently. These two states in dark green, Alabama and Mississippi, treat food like any other commodity and tax it at the full rate. is, whether, you know, doesn't matter what you're buying, it's, it applies to food as well. There are other states in the south, like Louisiana, and Georgia, and North-Carolina, that exempt food from the state sales tax.

But they allows localities to tax it as almost as high as they want. And that's, tends to send the, the price rocketing. Anyway, so, how are we gonna come at, this, this observation, led me to, to the book, Taxing the Poor. So, here is the roadmap of how we hope to, persuade you that this is a worthy topic.

We're going to look at some of the regional differences in income poverty and, and poverty related outcomes that many of you are studying. Try and persuade you that there is a regional pattern here. And then we're going to go into our tax history, and this was something that was heavily influenced by the work of your colleague at Berkeley in the history department, Robert Einhorn whose work as an economic historian has been exceptionally helpful to us since this was a new topic and we're, neither of us are historians.

So, we're gonna look back at how supermajority rules. The kind that you are familiar with from the long trail of Proposition 13 here in California. Which turns out to have emerged about a hundred years earlier in the South. Which was completely unknown to me. I'm a native Californian.

I'm very familiar with the consequences of Proposition 13. But, not only did I have no idea that these, sort of, supermajority rules cropped up much earlier neither is anybody else. To my knowledge, this is the first research project to look at this question. Then, we're gonna look at what happened after these super majority rules were invoked.

That is, what kinds of taxes grow once you've stuck in the mud, progressive taxes like property or income taxes or, or corporate taxes. You'll start to see the growth of the sales tax in the south. Then we're gonna shift into a discussion about revenue and spending. Where, what are, what are the states spending their money on, and what are the consequences of this, in the south in particular?

Then we'll go into a section that Rourke will, will take over looking at how we're now going to move away from the history into the present. And we're gonna try and show you that this pattern has become more pronounced, not less pronounced. That the capa, the the experience or the practice of taxing the poor has grown worse over the last 25 years or so.

Sharply so especially in the Southern states, and increasingly here in the West, right here in California especially. And then we're going to look at how, how state policies differ from one region to another and what the consequences of that are for the poor. As we're going to try and take it back to those regionally related poverty outcomes and try and argue there's a relationship between the way we tax the poor, and the kinds of outcomes we're going to look at.

So now I'm going to show you a series of maps that are going to get to be very boring very quickly because they're going to show you more or less the same thing. Which is that it's much worse than the South. No matter what we're talking about it's worse.

So we'll start with median household income. Of course, these patterns are never, uniquely in the South but median household income is significantly lower in the South. Children in extreme poverty, meaning 50% of the poverty line or below. Concentrated in the below the Mason Dixon line, life expectancy doesn't look too healthy in the south, and related to this, mortality also looks pretty bad in the south.

Now some people would argue that this is just pack, picking up on the distribution, the racial distribution and the concentration of the African American population in the south. So we started looking at what the white population of the southern states looks like. Or what whites look like in general, and you see the repetition of these negative outcomes for whites as well.

So for example, infant mortality, and this is non hispanic whites, deaths per 1,000 live births. Again, a pretty negative pattern there, there in the, in the South. For whites, deaths from strokes, deaths from heart disease. All the way around, whites are not looking much better in the South than anywhere else.

Now when we look at other social outcomes, not health outcomes, and we look at teens who are high school dropouts, again. It's not exclusive to the South by any means, but that big block below the Mason-Dixon line doesn't look too good. Teen births, oops, what happened to my teen births, got dropped out.

High school drop-outs. Idleness, teen births, there they are. Teen births. Again, below the Mason-Dixon line, a pretty solid block of negative outcomes on teen births. And then finally this one which will shock no none of you who are interested in the crime industry, which I know some of you are studying here.

And that's property crime and the prison, especially the prison population per capita is just out of control in the southern states. Okay, so that, that's just a series of maps we wanted to show you to suggest that there are regional differences in these poverty related outcomes that we all care about.

Now we're gonna back up into this little civics lesson on tax history, and this is probably the piece that most of you don't know about cuz we didn't either. I want to go back all the way to the eve of the Civil War. And here you see in the, these wavy lines on the left-hand side, those are the Southern states.

Robin Einhorn, who I mentioned before, really helped us understand this. Because on the eve of the Civil War, she argues that Southern tax policy privileged property owners, by exempting a lot of property from taxation, including slaves of course. And that going in to the Civil War, the South actually had very weak mechanisms for raising the revenue necessary to prosecute the war in the first place.

Where the northern states had a more robust property tax structure which helped them arm themselves, in a sense, for the Civil War itself. And our own analysis, this is our analysis of state and local property tax revenue per capita on the eve of the war in 1860, sort of illustrates this point.

With the exception of Louisiana which you see on the far right hand side because Louisiana was always a more industrial state, than other parts of the south were. The Southern states are basically the bottom of the property tax barrel. Well, those of you who know your civil war history, know that when the, well, obviously the south lost the war, right, no big news there, and afterwards we had a period called reconstruction.

And recon, the reconstruction era saw, for the very first time, African Americans take political control of state and local legislatures in the south. Many scholars including people like Bill Wilson have argued that if reconstruction had lasted for 50 years, and not 12 years, we'd be looking a very different country, but in fact it only lasted for about 12 years.

But we want you to understand something about what the reconstruction governments did about taxation, because this is where our story, in a sense, really begins. First of all they were motivated to try and find the resources to, for the first time provide education, healthcare, and other civic, benefits for the free back, black population, there had been no money at all for this before.

So they begin to raise taxes. So this is state and local poverty tax revenue after the war in 1870, and although all the states are beginning to raise revenue the southern states are starting to catch up to a much greater degree than they had before. They're still on the low end but there's some states, like Arkansas, that are now really sort of in the middle of the pack where no southern state was before.

So radical reconstruction comes to end, to an end, in the mid 1870s. And white power starts to makes itself felt again, the black legislators are turfed out, the federal government pulls its troops out of the south, which they had basically occupied the south since the end of the war.

And you start to see the undoing of all of the tax legislation that had developed during this very progressive period of radical reconstruction. So to illustrate how this changed property tax for a property tax owner, we have this wonderful chart, which we took from a historian's very painstaking work.

This is the state land tax on a farm of 160 acres in Mississippi. And what you can see is the black numbers are sort of before and after the period of radical reconstruction, the red numbers are the period of reconstruction itself. And you can see how the revenue is just low, low, low, and then it just jumps up.

It jumps up because radical, the, the legislators are starting to exact much more tax than they ever had before. And then it just plummets back down again as as the period, which I'd never heard this phrase before, but the period of so-called redemption takes place after the end of latical reconstruction.

And all of these policies are rolled back, land valuation is shoved down, artificially shoved down, and the revenue available then through this mechanism of property tax starts to decline very sharply. Well one of the reasons it declines sharply is that the earliest version as I said before Proposition 13, starts to make its way into state legislatures.

Oh, so this is the, this is the revenue in 1890, and you can see the South is way back down again. So in the 1870s at the end of Reconstruction, Alabama becomes the first state to enact a constitutional limit on property tax and education spending, building it right into the State Constitution.

Moreover, it required a statewide referendum, for any state or local tax increase. This should sound very familiar to you. And, it is the main reason why the referendum, I went to work on, why the change I went to work on, failed miserably. Because, it went to a statewide referendum, and it failed.

It failed, and it's failed ever since. There have been no no Real mechanism for raising any kind of tax other than sales tax in Alabama since. This then begins to spread. Louisiana also enacts a limit on property tax and spending, and changes land assessments to decline the value of the property that's being taxed anyway.

The next period when this starts to spread a little bit is the Great Depression. But then we come to the Civil Rights era. And once again, with the possibilities of black power growing in the South, we see the enactment of super majority rules into state constitutions in Louisiana, Mississippi and Florida.

Then we have to fast forward to the, to the period when this region starts to go through the same kind of transformation. Though for a slightly different set of political reasons. But California in 1979 goes through Proposition 13. And then actually, as we'll show you in a moment, this starts to spread the downward pressure on state revenue through property tax throughout the western states.

So by 2006, you know, we still have this repeated pattern of the southern states, especially the heartland southern states, being at the very low end of state and local property tax revenue. Now let's talk about the spending side for a moment. In the, now and, and the modern period.

Now we're not in the Civil War anymore. We're talking about the 1980s through to more or less the present period. So what's happening to, to expenditures now on the state side? Well you can see that expenditures are rising across all of the, all of the regions of the country.

We're starting to see a lot more spending on, direct expenditures. And in particular on social expenditures. So education, healthcare, all of this is rising across all of the states, in every single region. The south is still at the bottom, which is that orange line you can see at the bottom, but it's rising just like everyone else is.

Well, what are, a lot of this is being driven by matching requirements from the federal government. The federal government is insisting on raising revenue, on matching revenue for things like Medicaid for example. Where is the ability to make, to spend this kind of money coming from? What are these, the regions doing to raise this money?

Well, let me start with what they're not doing. The southern states, again that's the orange, this, these colors don't come out as well here, do they? But, you know,on, on my chart it's very bright here. But the, the southern states are the bottom bar there. again, you know, rising a little bit, but nowhere near like the Northeast, which is the green line at the top.

So income tax doesn't appear to be the source that the Southern states are using to meet those matching requirements. Corporate income tax isn't very popular in the South or the West. It's basically flat. It's going up in the Northeast, but everywhere else it's basically flat. State and local property tax revenue per capita, again, the southern states way, way, way at the bottom here.

So given all that, where are, where are the southern states finding the money to meet these matching requirements? Well, now we look at state and local sales tax and we see the order of these regions flipping. So both the South and the West are arcing up in terms of the sales tax that they are exacting.

And of course sales taxes are not adjusted for the most part, for wealth or household income. So they are the most regressive way to raise this money. So that by the time we get to 2006 and we just look at the composition of the tax revenue in each of these regions by source, we some really pronounced differences.

On the left hand side, the Northeast is gaining by far the majority of its tax base from property tax. And the South is mostly, well, not entirely, of course, but you can see sales tax is the highest bar for the South. By 2006, the West, which didn't look like this at all before 1978, is starting to look a whole lot more like the South.

Okay, now I'm gonna turn it over to Rourke to try to connect these dots between the tax policy and the outcomes for the poor.
>> Great, so the chart Katherine just showed you, is showing us how the pie of tax revenues is divided among the different sources. But it tell us nothing about the actual tax burden that people are paying.

That's when we became interested in this book and this question, is we wanted to know how much, bite the taxes were taking out of the wallets of low income families. And how that varied by state. So to do that we wanted to kinda model the hypothetical the tax liability for a hypothetical family in all of the 50 states.

So to do that we just created this hypothetical family. In the book we call them the Jones family. And we set their income equal to the federal poverty line. So we said it's family of three, one adult worker, and they earn the household income equivalent to the federal poverty line.

We also for, kind of, tax simplification reasons, decided they were renters, not homeowners. That way they could take the standard deduction, and this would be very common for individuals in this income bracket. Even if they did have things that might qualify for itemized deductions, they could never get above the standard deduction threshold.

So, we're pretty confident in these assumptions. So the first step here was to model the state income tax liability. And to do this, a lot of people directed us to the NBR tax database which is actually a fantastic database, that's a combination of state administrative laws on actual tax rates and tax return data.

And with this you can actually get a sense for, the state and local, income tax rates. But, but more importantly the effective tax rate that people pay after, refundable and non-refundable credits that are delivered through the tax filing process. But when Kathy and I were looking at this, we really wanted to double check and make sure, that the NBR's tax simulator was giving us, the correct kind of take home pay, estimates.

Because states really differentiate in the way that they think about, the tax code, as a way to redistribute money. So some states can have really refundable generous earn income tax credits. Other states might have refundable child tax credits. Some states, like Vermont has a very generous renters tax credit.

And all of these can have a really important effect of what the actual bottom line dollar is that people are paying. So our rates might be the same across states. The credits the people have that can offset their actual liability are becoming really important. So to do this, we wanted to double check and make sure the NBR database is picking this up.

So I actually went through and manually filed tax returns for the Jones family in all 50 states which may be.
>> For all 25 years.
>> For all for as many years as I could do it for on the TurboTax data,which made me really good at TurboTax and led to career moonlighting filing tax returns for grad student friends.

>> But basically what we found is that it was pretty much dead on. The, the, NBR system was actually catching catching all of these offsetting credits. And that's actually amazing every kind of tax season I now get 50 emails saying, Jones family time to file in Iowa.
>> So I need to, I need to somehow get out of their system.

But so that was pretty straightforward. Folks have kind of attempted to do this in different ways before. What we were kind of really interested in adding to the picture on what families actually pay is try to get some sense of people's of families' state and local sales tax liability.

So to do this, the first thing we did, was we try to think of a basket of goods. What would this family at this income level be paying on kind of a common basket of goods, that may be subject to a state and local sales tax? And so we got a sense for a family making this amount of money, how much they're spending on tangible items like clothing and food and the like.

We then went through and with some help from folks at the American Enterprise Institute, which actually has been collating a lot of this data for the earlier part of our period. We went through and kind of manually imputed the state and local sales tax rates. So they actually, they publish these huge kind of administrative books every year, where you can look up every state, and locality, how they, what the sales tax rates are.

And the important thing we did here is we actually tried to differentiate this by category. Because all sales tax rates are not created equal. Whereas in two states, you might have kind of an overall sales tax rate, a general tax rate of, say, 7%. If in one state, that 7% also includes food, clothing, medicine, that's gonna make a lot, bigger difference in the lives of families if those, those goods, those parts of your basket of consumption are excluded in the neighboring state.

So we wanted to get as specific as possible on, on the state, state and local sales tax rates. The local tax rates are kind of an a kind of a weighted average based on kind of population locality. But we can get more into that if you want to get into it.

But basically, we, we multiply these two things together to get a sense of how much people would be paying in state and local sales taxes. So as we go forward, when we talk about total tax liability, in, in this sense, we're just talking about adding these two numbers together.

The income tax, and the sales tax. All of our numbers are adjusted for inflation, and at the end of the day it ended up being a 49 state analysis, which really got to us. Alaska has a particularly unique tax structure in many ways They're the only state where their localities tax sales taxes but the state itself doesn't.

So it got a little complicated.
>> We think that this has to do with the fact that they can see Russia.
>> Yeah.
>> We're sure that's the reason.
>> So, so, pardon, it's a 49 state analysis. But so, so to start with we were able to kind of show the federal story.

And this is what most social scientists interested in looking at the tax code and how it relates to poverty, this is a story we all know so much about. And this is total federal tax liability for families who are at the poverty line and how that's changed over the last three decades.

And what you see is this very strong downward slope. And what this is the introduction and expansion of the Earned Income Tax Credit. So you see it was expanded in the 1980s, and then really very much so in the 1990s. So, the federal, the, the federal story here is one of using the tax code as an anti-poverty strategy, as a tool to fight poverty by actually putting more money into the pockets of low income families.

You see here, kinda the most recent data is 2008, that a family at the poverty line could be receiving, you know, around $1500, through the earned income tax credit. So this is a story that most people have focused on, but it's been obscuring what's been happening at the states, which has been out of a much greater divergence.

So here we have the state and local sales tax liability for our hypothetical family in the Northeast over this period. And what you see here is that the trend is generally flat. That line at the top which kind of fluctuates New York state, cuz the city itself seems to, has been changing its, its rates during this period.

But what you see generally is that across the board poor families haven't paying more in state and local sales tax in the Northeast. But keep this picture in your mind and compare the Northeast with the South. And this is a pretty dramatic difference, right? So we see in the south during this period the low income families are paying an increasing amount of money, out of their wallets into state coffers via the state and local sales tax.

What you see here are at the end of this kind of period that we have is a lot of pretty steep declines in some states. And this is the coastal, states, like the Carolinas, which the politics have been changing recently. And these are actually when the, the food became exempted from sales tax in these states.

And you can see what a dramatic difference this makes. To how much these families are paying. So this was kind of, when we were writing the book, seemed like a very kind of happy story. Maybe the other southern states were going to catch on. But if we were able to continue this, all of these states, not all.

Most of these states have walked this back in the recession, have re-instituted, the, the food tax. So we probably would be seeing these kind of jumping right back up, so there's definitely.
>> So, it's definitely way up compared to the Northeast.
>> Right, so that's kind of the, the major story in the South.

So that's the state and local sales tax. The next, we're looking at the state income tax liability. And this is again, the Northeast. So the story here, is generally ya know, flat and then kind of pretty steep declines in a lot of states. And this is the states following the federal lead and introducing their own refundable tax credits.

In many states, like I said, it's a state unearned tax credit or, or some other way of thinking about ways to use the tax code to put money back in people's wallets. And you see, you know, there's a lot of variation here. A lot of states are really quite generous in the tax code.

But the big story is by the end of the period, we're looking at, no family, under the conditions on the assumptions that we have in the Northeast, would be paying state income tax. But compare this picture in the Northeast with the South. And so, here, you know, it's generally a flat trend.

Some states are increasing, but the bigger story here, is that by the end of our period, at no point have any southern states gone into negative territory. At no point have Southern states used the tax code, to actually refund money to families. And this doesn't mean these states don't have earned the earned income credits.

It's just that they're, they're not all created equal. You can have an inert income tax credit, but if it's not generous enough to actual offset the tax liability of the family, it's not going to refund money into their pockets. So this is just kind of aggregating and across all regions.

Just kind of get a, a sense of how of total trend has been moving over time. You see the strongest downward slope in the Northeast. Where we're kindaa, putting money back in people's wallets for taxes. And this upward slope, in the South. And, and the West is kinda right below, the South there.

So, bringing this back together. So we started with this, talking about this, regional differences in poverty-related outcomes and how we've kind of established these regional differences in, in taxes, at least taxing the poor. So we wanna try and see if we can, do some initial modeling to see if these things might be kind of working together.

And we'll walk you through that, as we go. The first thing that we wanted to do was try to get a sense of, are these things moving in the same direction? And so this is just a very simple graph. We're not controlling for anything, just trying to show, are the states that tax, the increased tax on the poor, how have they been doing?

We're looking at change on other of the poverty-related outcomes. So this is looking at change in age adjusted mortality, changes in taxes and we see that, over this period, all states improved on mortality. But the states that improve slowest or the least are the states that increase their taxes on the poor.

So on the top right there. It's kind of a similar story for property crime. Those states that increased tax on the poor also saw an increase in, in property crime. And little relationship but kind of, this is, kind of a similar story with, with, with violent crime. We wanted to get a sense, obviously states are different.

They have different histories, different trajectories. We wanted to get a sense for, you know, if we could try to rule out some of the other reasons why we might be seeing these, these outcomes work in the same direction. So to do this, we did some regression modeling.
>> So the state fixed effects allows us to net out all of those time and variant characteristics of the state that don't kind of change over time.

That was to change those base level differences. A lot of what it also helps us to get out is kind of the, the politics of the place that that might not be changing as much over time, although we did some initial political modeling as well. The year fixed effects allows us to control for factors that affects all equal, all states equally over time, so it allows us to net out things like changes in federal tax policy or changes in federal, revenue, which was really important to us.

But we also wanted to put in a number of state specific indicators that we could also rule out some of the, the more obvious stories that may be driving both outcomes. One is the racial composition of each state, so we, we, adjust for that with adding percent black and percent Hispanic to the models.

We're trying to get a number of ways to try to get at the business cycle, or the macroeconomic conditions in the state. We're very big country, probably 50 at least, different business cycles happening at the same time, so we do that with the state poverty rate, GDP per capita and then employment rate.

We also wanted to get some sense of, of, of spending, you know, maybe these states are increasing their taxes on the poor, but also spending on there, and so maybe the social outcome might be a little more muddled. I'm not quite sure which direction it might be working.

But we wanted to make sure we also controlled for state direct expenditure. We've done that a few different ways this one what we ended up with. We also controlled for inequality with the Gini coefficient, and for federal intergovernmental revenue, in case the federal government was changing the amount of he was giving the state during the time period.

Okay, so here's a fun table, there's more of these in the book. And basically kind of the story from the table is that we, you know, do find a relationship at the state level between increasing taxes on the poor and worsening on these kind of social and poverty outcomes that we've, we talked about in the beginning.

So, increasing taxes on the poor appears to be related to increases in state adjusted mortality rates, increases in property and violent crime, decreases in the high school completion rate and, and, you know, there's some relation, some evidence for increase, or association with an increase in births to unmarried mothers.

So we talked about this analysis much more in the book. I do wanna point out some obvious limitations to this, this study. First you know, using this data as a unit of analysis, it's kind of tricky to rule out kind of what, to really isolate what might be going on here.

I think in a, in a 2.0 version of this if anyone's interested in taking that up with a look at individual level data to kind of see how a family's actual take home pay is changing over time in the states. Try to get the, the individual level to better isolate make sure that we're getting a correct mechanism.

And then exploiting natural experiments, and here is where tax code is really rich if we're looking at that. So, one idea is that the state of Colorado has a pretty generous earned income tax credit but the little trick in, in their policy is that it only refunds money to people in years that the state runs a budget surplus.

So it happened exactly once in the year 2000. And a family received an infusion of cash of $2,000 and then never again. And so trying to use these opportunities to see at least this idea that you know, using the tax will put money in people's wallets actually you know, have an effect on a lot of outcomes.

There's been some great work in sociology and economics, it's really been making a case as of late. We also got focused kind of where we started in the book can get taxes on the poor. I think another version of this and some of the work I'm doing now is trying to relate changes in the overall tax structure.

So how does, how do these social indicators, you know, map onto taxing the poor, but also the changing balance of taxation between the poor or the middle class and the wealthy. And the relationship between taxes and spending. So, we think in sociology and economics there's been a lot of focus on, on spending and poverty related outcomes.

And so we really try to isolate the other side of the equation here in looking at a connection taxes. But I think the real story would be to bring them both together and see where the offset may be happening or might not be and where actually I think, existing spending inequalities are really being exacerbated by taking money outta people's wallets through arrested taxation.

But now I'm gonna turn it back over to Cathy who's gonna talk a little about how we think this might be working.
>> Okay. So part of what we wanted to know of course is, what's the mechanism by which taxes and these outcomes might be working? And that's a harder question to answer with the kind of data that we have.

And in the book we actually review those places where we found data that is at the individual level that lets us look at these outcomes in a more contained way. But for the moment, we wanna just sort of speculate a little bit about how this might be working.

And we wanna know about it especially for people like the ones we met in Alabama cuz when we were through writing the basic manuscript we went back to Alabama to interview poor families, cuz I'm basically a qualitative researcher and to interview families who are affected by these kinds of taxes.

And you can just get a look at them and get a sense of how this might be working in a way. So Alicia Smith, who lives with two kids and a visiting stepsister in a single single-wide trailer in a place that is so remote that we couldn't find it on the GPS at all and she's got a kid who's ADHD, diagnosed with borderline autism, lots of multiple problems in this family.

Very, very isolated. She lives, well you can see you know, this is the trailer that, that she lives in. She lives about twenty or thirty miles from the nearest store. So, her capacity to buy food is extremely limited. She gets to go shopping about once a month. And she has to pay someone $20 out of what is basically a disability stipend she receives for her semi-autistic child.

And so if you can only go food shopping once a month, you buy food that's gonna last you for a month, and that's not gonna be food that's very good for you. You are buying high salt, high fat content, canned food for the most part. And your gonna do it, like we happened to arrive, this was not actually planned, but we happened to arrive at her trailer on the day that her family had just gone shopping for the month.

And this is an entire month's food supply on the floor. This is where she lives. This kind of trailer, which is on scrub land. It's off the beaten path, so much as I said that her street is actually not marked, well it's not a street, it's more like a dirt path and she has no car.

So, you're really stuck when you're in a place like this. And just parenthetically I might mention that, a lot of the people we found in circumstances like this, their only real tie to the outside world, if you wanna call it that, is coming through the internet where they are often lured into schemes that are making their lives that much more economically fragile.

So, both this woman and another woman you're gonna see in a moment, are up to their eyeballs in debt to the for profit colleges that lure poor people online into thinking that they'll be have, they'll be able to have a better future if they can get more education and they actually are desperate to find a better future.

And so they end up taking these online degrees in medical billing and one woman you're gonna see in a minute is now $40,000 in debt. In debt you can't bankrupt against. Through the pogram, program, which was in, which was allowed to service these for profit colleges. So, not only are they living in the middle of nowhere, eating food that's very bad for them paying enormous amounts of their income, enormous proportions of their income to taxes on basic food stuffs, but they're also victimized by these for profit colleges.

This is what poverty looks like in Baltimore but there are plenty of places in the south that looks like this as well. So well, let me just say that we, we were particularly interested in whether or not this, the mechanism of money, was the explanation for why these outcomes are related to taxation.

And if that's the way, if that's the mechanism by which these outcomes are tied together, then it should be the case that when we just look at money, when we just look at mean income and not taxation, that we'll see a similar kind of set of outcomes. And here what you see is the mean income of the bottom quintile looking at the poverty related outcomes along these lines, using the same kinds of state and your fixed effects regressions.

Meaning controlling for everything in sight. And we do tend to see a very similar kind of pattern that it, you know, that money seems to be the mechanism by which this, these outcomes are being driven. So, why would money be working that way? Well, anything that is income related, where you live, what you eat all of these things are gonna be affected by what you have left in your pocket at the end of the day.

And taxation is, in a sense, the way Republicans characterize it, a way of taking money out of your pocket at the end of the day, and you're taking in much, much bigger proportion of it out of the pockets of the poor. We were especially interested though in the very beginning because of our this, this question about health related mortality incomes and whether or not obesity in particular was reflecting state and local sales taxes.

And so we looked separately at how obesity you know, again using all of those controls and what we see is that the percentage of obese adults rises pretty strikingly over this modern period as taxes on the poor are rising. And that happens to people like this woman. This is Bee, she's shopping at her local store and again you can see that she's quite overweight, as is Alicia.

So you tend to see very, very heavy people, who are basically reflecting the kinds of diets that they tend to, to have when they can only go shopping once a month. They also tend, and for those of you who are interested in these topics, tend to be very heavily reflate, reflected in the disability population.

If you are poorly educated, heavily overweight, the kind of job you can get is likely to expose you to physical strain. Both Bee and Alicia, just to take two people of the many we interviewed are sort of officially disabled and usually they have back injuries from lifting patients because they've been home health aids, which is the kind of job you can get when you're poor.

And poorly educated. So they, all of these things tend to be tied in together. The, the food patterns, the overweight, the poor, the kind of job you can get that exposes you to physical danger and then you end up in this sort of condition. Because at the end of the day you're paying about 10% on top of everything else just to get the basic food.

So now, just to come back to this question this just re, is a sort of summary of where we, where we ended up. This is looking again at these historical patterns over the last 25 years. And our point here is to show you this is not a historical story.

You look at how that fan is opening up over the last 25 years and you see an enormous gap in the, in the, the taxing exacted out of poor households in the different regions of the country. And that gap now adds up to something, or at least in 2008 added up to something like $2,400 on an annual income of $18,000.

It's not a small amount of money, because the northeastern states are aggressively providing rebates through the earned income tax credits, while the southern states are going in the opposite direction. And so the northeastern poor families are receiving an injection of resources and the poor in the south are being increasingly taxed.

And even after you factor out differences in the cost of living, they can't even come close to closing the gap that we see opening up here. Now, meanwhile, the federal government is rushing in to spend money, that's all of our money on regions in a very different kind of pattern.

So, here, now you see the federal government contributions to the south, arcing up, way, way up and that's not just military spending. It's arcing up because the federal government is rushing in to try to do something about poverty. Our federal laws are actually directed in that direction and so we are spending way, way more federal dollars per state dollars paid in the south than any other part of the country.

The north east you see on the very bottom which is flat and low. It doesn't work though. It's not enough. We still see these huge differences in outcomes that are all poverty related because, despite what the federal government is attempting to do, it's not really working. And that's because people in the south, especially in the rural south, they're not very far off from this kind of slide, which was taken in the 1930s.

Now what could we do about, oh, this is just to give you a little more ethnographic flavor. This is an area called the Quarters. It's the black probably former slave quarters in Vredenburgh, Alabama. It gives you an idea of where the people are that are being most heavily affected by these taxes.

The stilts protect them from flooding, but these are really very poor areas. And again, if you ask what can you buy to eat if you don't have a car, which these people are too poor to have, what is within walking distance of your house? A house like this, this is a typical, what they call a shotgun shack because the way the tax structure was setup in the past, you taxed on the width of the house.

So you got all of these long narrow shotgun shacks. But what, what kind of food can you buy if you live in a shotgun shack in Vredenburgh, Alabama? Well, this is what the shelves of the only store that's within walking distance of this place hold and it's not stuff that's gonna make you very healthy, is it?

It's just canned stuff, dry goods, jiffy whatever, fish fries and not very much even of that. When we went to this store we, it was, we were told that the store no longer even takes food stamps because they were being audited for fraud and so now it's just whatever they can do on, on a cash basis.

But this is not much within walking distance which is why these families are so dependent on others to take them shopping once a month for $20. So this, you know, these slides from the Great Depression actually have significant resonance even today in areas like, like this. And the Great Depression holds some lessons for us which we can debate in the Q and A period about how we might make a difference if we wanted to change this this really pretty sorry story.

What happened during the Great Depression, of course, was the creation of a federal government safety net and we argue at the end of the book that the only way we're going to see our way out of this is to federalize the programs that are now administered at the state level.

Any program, any safety net program that is administered at the state level exposes people who live in very conservative areas of the country to this kind of regressive tax policy. now, pulling it up to the federal level does not ensure that everything suddenly becomes progressive. There's plenty of debate in the Federal government circles about what we should do about taxation and spending.

But it takes it out into the open, and it leaves everyone on more or less the same playing field. They are not on the same playing field now. To be a child born and raised in Mississippi in the Jones' family is not the same as being a child in Massachusetts in the same family with the same kind of poverty structure, and that's not not, that's not a healthy state of being, and it's what I thought we fought the Civil War for.

There's a lot of romance these days even in some of my Cambridge circles to invoke the value added tax as a solution to some of these problems, a national value added tax. Number of papers by political scientists and economists about the great robustness of the value added tax in Europe in particular.

We argue against this strategy. The value added tax like all other kinds of sales taxes are heavily regressive. The reason why they are popular in Europe is that the spending policies are highly redistributive. I don't think we see any guarantee that that would be the case if the value-added tax was a policy direction that the US shifted to now.

We think it would go into deficit reduction at best, and who knows what else so we don't think that that's the right way to go. But we do think there's some value in rewarding the states for doing what the northeastern states did for such a long time during the last 25 years, which was to add, which was to create state level earned income tax credits.

And to otherwise nationalize, in a sense, the safety net so that we are all on more or less, the same playing field. Because if we don't, we end up with kids like this in the regions that we visited in the rural south where they are definitely not beginning at square one.

They're beginning way behind the start line because of the accident of where they were born. And on that note we would be happy to take your questions.
>> 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 U.S. Department of Health and Human Services.

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