

TwiceAround Podcast  
Episode 1: Poverty: Unlucky or Unmotivated?  
Transcript

Speaker 1: Poverty is unfair.

Speaker 2: Paycheck to paycheck. I struggle to make bills.

Speaker 3: Vulnerability and there's no guarantees to anything.

Speaker 4: People living below \$16,000 a year.

Speaker 3: I have a bed to sleep in. I have food. I have an education. Those are luxuries that sometimes we forget.

Speaker 4: Education will free them of their constraints.

[00:00:30]

Speaker 1: Poverty can be overcome. That's definitely what comes to mind for me.

Speaker 5: You're listening to Twice Around.

Speaker 6: Twice Around.

Speaker 5: Where we take a second look at the beliefs that shape us.

Speaker 6: Brought to you by the Federal Reserve Bank of San Francisco.

Mary: Hi, and welcome to Twice Around. I'm Mary [Daley 00:00:55].

Jody: I'm Jody [Hoff 00:00:57]. Today, we're going to be talking about poverty.

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Mary: We're actually talking about it for the third time, because we literally have taped this show three times.

Jody: Yes, we have taped this thing three times and that's because the conversation about poverty is complicated and also, in terms of finding solutions for poverty, also very difficult. Of course, we've gone more than twice around in trying to think about this topic of poverty.

Mary: Today we're going to nail it and we're going to start by talking about statistics that came out in September of 2016 that showed some pretty big improvements in the rate of poverty over a one year period.  
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Jody: Actually, I think some of those numbers have indicated that we haven't seen a reduction in the rate of poverty like this since the late '60s.

Mary: That's right. It's actually outside of many people's memories, I think. Poverty fell from 14.8%, not to get too much into the details, to 13.5%. That's a pretty big reduction in poverty and one that is we're celebrating.

Jody: [00:02:00] As we've been looking at this issue of poverty, one of the concepts that always comes up is what is that poverty line? People are either above it or they're below it.

Mary: I like your phrasing, a line in the sand. It is like a line in the sand. In 2015, if you're below \$12,082 as a single person, you're considered poor.

Jody: That's \$12,082, so that's roughly \$1,000 a month.

Mary: [00:02:30] Right. If you're above \$12,082, you're not considered poor. If you make just above \$1,000 a month, you're not considered poor. The kind of remarkable thing for me is I went back and calculated on my iPhone if I make \$7.25 an hour, which is the federal minimum wage, and I work 40 hours a week, 52 weeks a year, I'm making roughly \$13,090 a year. That's going to put me above the federal poverty line, but I'm not going to feel all that well off, is my guess, especially if I live in a big city.

Jody: [00:03:00] Right because, if you think about it, it's only \$100 a month separating you from someone who is considered to be in poverty and then someone who is not in poverty. That seems pretty close to poverty.

Mary: It certainly seems like you have a lot less than many others, and I think it has its own struggles. We heard in the opening from the interviews we did with people on the street that it's the sense of uncertainty, the sense of not knowing how you're going to make the bills the next week, or the sense of feeling vulnerable. I think if you make the federal minimum wage and you're just above the poverty line, you still feel pretty vulnerable.

Jody: [00:03:30] Yeah, I would think so. Basically \$1,100 a month at the minimum wage [inaudible 00:03:29]. There's one thing to say you're below the poverty line, but the people that are very near the poverty, they have a term for that, which I believe is near-poor. You could roughly say 20% of Americans are in that near-poor.

Mary: Sure, absolutely.

Jody: Is that one in five people?

Mary: [00:04:00] I think the statistic I use, the rule of thumb I use, is between a quarter and a fifth, or between 20 and 25% of people who are feeling the vulnerability of living fairly close to the bone, if not below the bone.

Jody: What do you mean by that, by the bone?

Mary: I think of the bone ... Maybe that's a Midwestern phrase I grew up with, but 'close to the bone' means there's no meat left and I've basically scraped the last meat off and

now I'm just left with the bone. When you have to start eating the bone, you know you're in pretty rough shape.

Jody: I see. I know we're talking about a lot of these numbers, and I think about one in four people or one in five people that might ... Living with that kind of uncertainty, but it's hard for me to get my mind around it. Part of why we're doing this episode for the third time, putting it together, is that neither one of us, we haven't really been poor. I certainly haven't been poor, so just trying to walk in those shoes a little bit has been a little bit of a challenge for me.

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Mary: It's interesting. I was talking with my partner before. We've been going over this episode many times, and I came from certainly lesser means that you did growing up, Jody, but she said, "Well, you felt like you didn't have enough money at certain points in time," and I said, "Sure, I did grow up like that, but I always ate every day. I went to school. I always had good clothes, clean clothes, new clothes that I could wear. I had a roof over my head."

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I didn't have the level of real insecurity or that destitute feeling that would make me feel like I could really relate to so many Americans who are facing that today, but I have found a way to get my mind around it. One of the things I've been wondering about is if the poverty line is really that low, should anyone be below it in a rich country?

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Jody: That's a really good question. Is there some way in which we can't ever really solve it?

Mary: I don't know if I'd even put it that way. I mean, I liked what one of the people in our street interviews said, "We can overcome it." It can be overcome. You may not be able to reduce poverty to zero, because I think of poverty this way. The way I think about it is there are people who are persistently poor. They're poor year after year after year, and there are people who are episodically poor.

Jody: By episodically, this would just be someone that might have some catastrophic injury or illness that that could throw people into poverty, at least temporarily. Is that what you mean by episodic poverty?

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Mary: That's actually a great example of episodic poverty. Sometimes that can turn into persistent poverty. A classic example of episodic poverty is transitions from school to work. Young people can spend a year in poverty as they're getting their feet under them, unless they move back home and get counted with their parents' income. I don't know if you remember back in the day when you were going out, you don't have much money and you're trying to make your way, and that first year or two can be a challenge to get yourself together and move on and start your life. You can experience episodic poverty for quite normal reasons of just transitioning, and then quite catastrophic reasons of having a major health event and not being able to make your way.

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[00:07:00] The thing about the persistently poor, for me, is that we've designed a lot of programs to help them. Housing, long term interventions, trying to help people who are persistently poor, but year after year after year, families stay in poverty and they pass it on to the next generation of people who are in poverty. That's the part that really, I think, oftentimes defines people's idea of what poverty looks like. Then we get in these debates about whether they're unlucky or unmotivated.

Jody: That is such an interesting way to put it. I think I have a little bit of this viewpoint that we have to be careful about how much assistance we give to people that are at the poverty level or who are near-poor because we have this idea that if you work hard, you don't have to be in poverty. Part of what's been changing my view about this and in these conversations that we've been having, Mary, is even at minimum wage, you can be working your tail off on minimum wage and you're still going to be near-poor. That's not all about being unmotivated.

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Mary: That's right. When we think about the American dream, an episode we've already recorded and done, people think of a meritocracy of being one where if you work hard, you can get ahead, but what we're really saying is if you work hard and have a good skill set, you can get ahead.

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Jody: That is such a good point.

Mary: Then you have to go back, I think, and ask, are we breeding equal opportunities to get a good skill set? If we're not, then really are people unlucky or unmotivated? They're clearly motivated. They're working like dogs, but were they unlucky that they didn't get schooling, or were they unmotivated in school? I think that question is getting answered more and more as opportunities don't seem incredibly equal to be well educated in our society.

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Jody: Do you think the current system we have is built around this idea that we have to guard against unmotivated?

Mary: I do. I think that the idea is, and this certainly comes out of economics ... We don't want to create the chance that people are going to take the benefit and then be less motivated to work. We do know that if you give people cash, they don't feel the pressure to work as much. Some of the new policy designs, like the earned income tax credit, is meant to try to solve part of that problem. It's incentivizing people to work because it's saying, "We're going to subsidize your earnings in the year, but you have to work to even get the benefit."

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Jody: Right, which seems like, again, that the policy design there really understanding human nature, but also providing the right incentive.

Mary: Yeah, we certainly have this idea that if we give people cash, they'll work less. We do find evidence in the data that cash benefits deter work. There's a work disincentive. I was teaching this class back in Syracuse University on poverty and discrimination more than 20 years ago, and in that class, I thought, "If I can just teach them one thing, I'll be happy as an economist," and that is that people respond to incentive. If

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we create policies that give people cash in lieu of work, they're going to take the cash and not work, but then we're kind of blaming the victim when we say they're lazy. We can't have it both ways.

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Jody: For me just to make I understand that, because you hear this. I hear this as a recommendation for a policy is why don't we just give people cash and then they'll spend it? But you're saying the incentive there would be to just accept the cash and not worry about working?

Mary: Well, especially if you think your cash is tied to not working. If we give you cash because you're poor or you don't have a job and then you don't get a job, we can't really blame you because you've got cash because you don't have a job. Really what you care about is putting food on the table for your family, making sure you have a roof over your head, and if you're going to get that through government support as opposed to a job, then that's what you're going to do. That doesn't mean that you would rather have government support than have a job. It just means you're looking out there at your opportunities and here's what you've got. I try to teach my students that very thing, that program design is probably the most important thing you do in public policy.

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Jody: If you had to think about a program that's been pretty well designed, I was thinking that we've read a lot about the earned income tax credit. Is that providing the right kind of incentives, isn't it?

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Mary: I'm certainly a fan of the earned income tax credit, as most economists are, for this reason. It basically says if you work, we're going to top off your earnings if you fall below a certain level, so that you get basically an earning subsidy at the end of the year. We're going to give that to people, but in order to get that earned income tax credit, comes through the tax system, you have to work. That's the only way you can apply for it.

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Jody: This idea that a person's unmotivated can be because of the incentives that they're faced with.

Mary: Right. I think it's just, in my parlance as an economist, is observationally equivalent to observe someone who is not working and getting benefits, you don't know whether they're unmotivated or unlucky. You don't know. The appropriate response is to ask and if we want a social outcome, like we want more people working, we have to design policies that provide more opportunities for work and more opportunities for skill development that provide more opportunities to get jobs.

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Jody: Right. When we were listening to the opening snippets from people that we were interviewing at the opening of this episode, there was one young man who was saying he thinks that poverty can be solved, or poverty can be overcome. The earned income tax credit seems like that's a well designed policy. What is it that we can do, do you think, that really will help make a difference in the poverty area?

Mary: Even the earned income tax credit, and I already admitted I'm a fan of it, it's not a panacea because not everybody takes it up who is eligible for it, and there are other things that are barriers for people even getting jobs to take advantage of the earned income tax credit.  
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[00:13:00] What's true probably in the public policy sphere is no one policy will be the silver bullet that will solve all our problems. If you remember some of the people we talked to out on the street when we were getting the interviews to open the show, poverty is multidimensional. Some people are just dealing with episodic poverty. That's a different set of programs that might help them, maybe lift them up temporarily. Food stamps while you're getting your feet back under you. Unemployment insurance while you've lost your job. But then there are people who are persistently poor and those problems are harder to fix, harder to solve.

One older gentleman we interviewed said, "Education is the key. It will help them move through their constraints." It's a wraparound set of things.

Jody: Right. We're into 2017 now and we've seen this drop in the poverty rate. Do you think we can get below that 10% threshold, because when we looked at the historical data, I don't think, since they've been keeping it, that you could see a poverty rate below 10%. Is that one of those things that just is impossible?  
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Mary: I don't think it's impossible and I don't know whether to bet on it or not, but what I do know are what the ingredients would be if we were going to accomplish it.

Jody: All right, so I know ... We're both educators, so education has to be one of them.

[00:14:00] Mary: Education has to be one of them. Making sure that we have a sense that people can climb up the job ladder. That's another one. They don't get stuck somewhere. They don't start at a minimum wage job and then stay at a minimum wage job. Sometimes we can't go back and make everyone go back to high school because we have many people in our economy who are already past that age of providing some sort of training and the ability to get either on-the-job training or additional training to augment their skills to take advantage of the economic opportunities. That's important.

Jody: Right. Training and education.

[00:14:30] Mary: We might need a different safety net. We might need something more expansive, even in the earned income tax credit, where we have earning subsidies for people who fall below a certain income, but any earnings subsidies for people who have a disability or a health shock. You talked about a health event. One thing you might think about doing is expanding the earned income tax credit to include other vulnerable populations.

Jody: \$12,000 a year, \$1,000 a month doesn't seem like very much money, but I'm having trouble just wrapping my mind around what does that actually look like.

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Mary: I walked into a class, again, in Syracuse teaching this poverty discrimination class. You can tell it had a big impact on me. I was so young. One of the things I noticed, the minute I walked into the class was about half the kids in the class looked to be kids that were white and looked to be kids of privilege. They had fancy bags and really fancy clothes. On the other side of the room sat some kids who were mostly of color and they didn't look quite as well off, just by looking at them. I know you can't make much of just looking, but that's what I sensed. I thought, "How am I going to teach poverty to these two very disparate populations?"

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What I did for them and ultimately for myself is I talked about someone I knew who was poor. This was a person who was a woman, single mom, had two kids. She had to get on the bus each day to go to work. Work was about an hour away by bus. She worked a retail job. When you call in sick or you called in because your kids are sick, you don't get the money for your job. You don't get sick benefits or even basically health insurance. By the end of the month, after paying for food and clothing and rent and incidentals for the kids, school supplies, et cetera, she would run out of money. She wouldn't be able to go to her job because she didn't have bus fare. Then she's be a couple days behind in her money before she even started the next month.

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That kind of cycle ... We heard it in one of the streeter interviews. That kind of cycle of vulnerability where you're so uncertain about what's going to happen next month and how are you going to get ahead, that's the treadmill of poverty that I think is the most frightening.

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Jody: That really paints a pretty powerful picture, especially the treadmill part of it. How do you change that dynamic? Minimum wage, I know that they call it minimum wage for a reason, which is that it is supposed to be the bare minimum, but the fact of the matter is, you can work hard all your life on minimum wage and there's no way to get ahead.

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Mary: You can't get ahead if you stay at that minimum wage job. That's referencing back to this job ladder. I think part of it is bringing back into our point of reference this idea that you start out and you might start at a low income job, low paying job, but then you work yourself up. You're able, somehow, to acquire skills to work yourself up.

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Whether we're having people acquire those skills with on-the-job training, or we have them acquire them with training programs that augment their skill set as they get older, those are all possible policies we could have, but those are the ingredients to moving poverty below that 10% mark, other than just giving people money. We could solve the poverty problem today if we just gave everybody below poverty money to move them above the poverty line, but the question you have to ask yourself is whether we really solve.

Jody: What would that solve?

Mary: We'd move them above that line in the sand you referenced, so that's why it's almost a too easy of a solution. If we want to just move people to the \$11,000 that puts them in poverty to the \$13,000 that puts them out of poverty, they have an extra \$2,000, but is that what we mean about solving poverty?

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Jody: When you're making that little amount of money, that \$2,000 actually, could really contribute to a change in one standard of living, but I don't know if this is the right way to say it, Mary, but it's kind of a short term fix. It doesn't solve a long term problem. The long term problem is the inability to participate fully and be able to earn the kind of wages that would keep you out of poverty.

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Mary: Yes, that's exactly right. I think this is where our difference in upbringing probably helps us do the show, because you grew up in a fairly upper-middle class family, and I grew up in a lower-middle class family, and what I learned from growing up in that environment, what I most wanted, was to be upper-middle class, not because I would have a better car and a better house, but because I didn't want to live with the idea that I was going to have to be dependent on any kind of government support or anything of that sort. I wanted the dignity of being able to get my job, do my job, and if I worked hard and showed up every day, I could actually make my own way. I think that's the dignity that most people who live in poverty want, ultimately, is they want the ability to participate in the economy, so that's what solving poverty really looks like: Giving people the means to take care of themselves.

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