THE HAMILTON PROJECT AT BROOKINGS

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ADDRESSING AMERICA'S POVERTY CRISIS

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ROUNDTABLE: IMPROVING SOCIAL-PROGRAM DESIGN AND DELIVERY:

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Discussants:

GORDON BERLIN
MDRC

ROBERT GREENSTEIN
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ROUNDTABLE: THE ROLE OF WORK-SHARING AND MINIMUM WAGE POLICY IN SUPPORTING WORKERS:

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The Honorable William H. Orrick,
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P R O C E E D I N G S

MR. ALTMAN: I’m Roger Altman. Welcome to the second and final day of The Hamilton Project’s summit on poverty. Hamilton, which is 8 years old now, is dedicated to developing policies which will promote broad-based growth and raise the incomes of all Americans.

We have commissioned papers and held forums on a wide range of issues over these 8 years; issues which bear on this from budget and tax policy questions to education and incarceration questions. And poverty is a logical extension of this focus because it is so costly to the poor themselves, to society as a whole, and to economic growth.

I’m sure that many of you also joined us yesterday and listened to an extraordinary set of discussions on the sad pervasiveness of poverty in this country and on fresh approaches to alleviating it.

You heard that twenty percent of our

children, 16 million children, live in poverty today; a stunning proportion. But half of the children born into poverty today will be poor also as adults. That two out of every three Americans born today will live in poverty at some point during their lifetimes. That seventy percent of poor families are headed by a single parent, and that minorities are disproportionately likely to be poor.

When you hear this data and then look around and see such widespread affluence in the United States, it's impossible not to feel a combination of outrage, mystification, and commitment because, as Bob Rubin said so well yesterday morning, this is not just a policy challenge. It's a matter of justice, because it is not just for the world's wealthiest country to accept such widespread poverty.

We commissioned 14 separate and new papers on poverty for this summit. I hope all of you have a copy of the really remarkable book containing those papers, including our framing paper which was prepared for this event.

At the beginning yesterday, we heard an illuminating discussion on apprenticeships between two particularly thoughtful manufacturing CEOs, then a panel on new approaches to building skills, then an absolutely inspiring speech from President Clinton.

No president in modern times has a better record on inclusive growth, on raising incomes, on decreasing poverty, than President Clinton. His passion on the subject of poverty was as clear as day as was his characteristic grasp of so many policy alternatives. Some of us thought he was going to spend the night with us. (Laughter) But it was an honor (inaudible) It was an honor to have him with us.

That was followed by two superb afternoon panels: One on supporting disadvantaged youth and one on promoting early childhood development.

Today, we're going to hear from two remarkable groups also of similarly high-quality panelists: The first on improving the design of social programs, particularly the earned-income tax credit and the childcare tax credit, and the second on the roles of work-sharing programs and minimum wage policy. And you could see that the prime focus yesterday was on developing skills, and the prime focus today is on the safety net.

I want to thank Melissa Kearney, the director of The Hamilton Project, who's done such a brilliant job on this event; the redoubtable Karen Anderson, the managing director of The Hamilton Project, who's been as awesome in this event as she always is; and Ben Harris, our policy director, because the three of them have created and structured this two-day summit, and they've done an extraordinary job. (Applause) I also want to thank the entire staff of The Hamilton Project for carrying this off, because without them none of this would happen.

Now, let's welcome the first panel, which Melissa Kearney will moderate, among Hilary Hoynes, Jim Ziliak, Scott Cody, and the redoubtable Bob Greenstein.

Did I forget someone? Oh, and Gordon. Sorry, my mistake. I'm sorry. President Clinton may be here again in a moment, but let's get this going.

MS. KEARNEY: Thanks everyone for joining us for day two. This panel, as Roger said, is about improving social program design and delivery. I think it's fair to say that the premise of this panel is that a strong system of income-support programs needs to be part of our nation's fight against poverty.

We have some really good programs in this country, but there are ways to make them better, and that's what we're going to be talking about. We have a tremendous panel of experts to talk about these topics.

Our three authors are all well-regarded poverty experts. Hilary Hoynes is a professor of Public Policy and Economics at the University of California, Berkeley. She's the coeditor of the leading journal in economics, The American Economic Review, and she specializes in the study of poverty and equality and the impacts of government tax and transfer programs on low-income families. Professor Hoynes's policy proposal is focused on expanding the earned income tax credit for one-child families.

Jim Ziliak is an endowed chair in the Department of Economics at the University of Kentucky where he's also the founding director of the Center for Poverty Research. He has published numerous articles in the areas of labor economics, poverty, food, and security, and tax and transfer policy. Professor Ziliak's proposal is to alter the way our federal tax code treats childcare payments.

And third, Scott Cody, is a vice president and director of Human Services Research at Mathematica Policy Research. He's renowned, national expert on income-support programs, and he's the deputy director of the What Works Clearinghouse, an initiative of the United States Department of Education. Mr. Cody's proposal, together with Andrew Asher, is for government agencies to improve program delivery through the adoption of predictive analytics and rapid-cycle evaluation.

We have two nationally-recognized poverty experts as our discussants. Gordon Berlin is the president of MDRC, a social policy research organization that has been designing and evaluating education and social programs for over 40 years. Bob Greenstein is the founder and president of the Center on Budget and Policy Priorities. He's a renowned expert on the federal budget and a range of domestic policy issues.

To start things off I'm going to turn to Hilary. Hilary, there seems to be widespread agreement among both scholars and policymakers that the earned income tax credit is a well-designed program and does lots of good. Tell us what your proposal is to improving on this program and why you focus on one-child families in particular.

MS. HOYNES: Excellent. Thank you. I suppose to start, as we shift our conversation today to talking about the social safety net, it seems fitting to start with the earned income tax credit because, in focusing on children and families, it's the most important antipoverty program in the United States. So it in its current form raises more than six million people out of poverty including more than three million children in that number, so it's a very important place to start.

It's a hugely successful program. The hallmark of the earned income tax credit is that it's an in-work-based benefit, which means that while transferring resources to low-income families, at the same time you're providing strong incentives to enter the labor market. Decades of research has confirmed that indeed it does exactly that; it increases employment, especially of single mothers, and reduces poverty and increases income as I started.

So, that's a sort of starting point, and I think it's not unimportant aside from the policy that I'm proposing to remind everybody who reads this amazing book how important and essential the earned income tax credit is as part of our social safety net.

When I contemplated the proposal that I'm advancing today, I started from the principle that it makes sense to have benefits of the earned income tax credit on par with needs across different families.

When looking at the earned income tax credit I quickly recognized that the schedule is more generous for larger families -- particularly two-child families and three-or-more-child families -- relative to the largest group of recipients, one-third one-child families.

So, I propose a modest recalibration of the schedule for one-child families to be on par with benefits schedule for two-child families using what we call an equivalence scale which is implicit in the poverty schedule that we have in the United States. So, that's the marker by which I compare family sizes to propose adjusting and expanding the one-child schedule of the earned income tax credit.

MS. KEARNEY: Let me just follow up with you for a minute because there's been a number of proposals in recent years to tweak the EITC schedule and the way it's designed, and recently the president's drawn attention to childless workers. How does your proposal fit into that context?

MS. HOYNES: I'm glad you asked that because

I think it’s important to think about what I’m proposing today as part of a broader, sort of, recalibration and expanding and modernizing and updating of the EITC program.

Notably, my argument about having the benefits be reflecting needs across different family sizes, the biggest outlier is the very, very small credit for childless households. In fact, another third of recipients are in that category. They don’t earn much money. It doesn’t cost a lot of the total bill, but they’re a very large share of those that receive the credit.

Because of the fact that there was already a tension on the childless credit through the president’s budget through a previous Hamilton Project -- one of the early Hamilton Project pieces -- I thought that I would try to build on that as opposed to echoing that. I will very much be interested in listening to Gordon who’s going to, I think, talk a little bit about some MDRC in-progress activities around precisely that.

MS. KEARNEY: Great, great. Before we get to that, I want to let all the authors tell us a little bit about their proposals.

Jim, you focused on making childcare more affordable for low-income workers. Now, our federal tax code already has a child and dependent care tax credit, so what are you proposing to do to that credit?

MR. ZILIAK: Basically to build on the success of the EITC. We saw in the 1990s, during the Clinton administration, the largest increase in employment rates amongst single and married women, especially those living below two hundred percent of the poverty line. But over the last decade, those employment rates have steadily fallen about ten percentage points for single moms, about seven percentage points for married moms. What a fairly striking development is that the employment rate of married moms living below poverty line or even twice the poverty line is lower today than it was in 1980.

The idea then is trying to understand what accounts for this decline. It wasn't just the business cycle. This is something that's been going on steadily over the last decade. Over this period we've had stagnant wages; the lower end of the distribution in particular or even declining.

The idea then is to try to prop up in the same way that the EITC props up the low end of the distribution by converting the child and dependent care credit from the current nonrefundable to a refundable credit, and in the process of doing so, target it much more effectively at low and moderate-income households. Presently the child and dependent care credit is uncapped, so anybody at any income level can qualify if they have qualifying childcare expenses. My proposal is to make it more progressive.

MS. KEARNEY: Let me just interrupt you one second to clarify. So, moving it from nonrefundable to refundable, that improves the targeting exactly how?

MR. ZILIAK: The targeting's going to be improved because individuals above 70,000 annual income will no longer be eligible for the credit. So, the targeting to low and moderate income is to convert it from a nonrefundable, open-ended credit to a refundable, closed-end where it ends at 70,000.

For example, if you take Hilary's one-child proposal which would increase the EITC for those families to about -- the maximum credit to about $4600, if you are in that phase, in range of the EITC with my proposal in conjunction, you could potentially qualify for an additional $4000 in refundable childcare credits.

The motivation for this is that presently childcare is accounting for upwards of one-quarter, or even higher in some states, of median earnings among single-mother families. Childcare has become an exceptionally large burden for these low-income families, and so the idea then is to relieve some of that burden through the tax code.

The proposal is to make it more generous for younger children because childcare costs are higher for children under the age of five. It's also targeted to be a little bit more generous for licensed care as opposed to unlicensed care facilities.

I’m also proposing the option for an advance credit because paying childcare is akin to receiving SNAP; you have to eat every month or every week, and likewise you have to pay childcare every month or every week. So, there is an option to take the credit as an advance credit as well.

My belief is that, working in tandem with the EITC, that this proposal is very pro-child and pro-work.

MS. KEARNEY: Why do we need both the EITC and a refundable childcare tax credit? Why not just do this all through the EITC?

MR. ZILIAK: The evidence suggests that the EITC is not necessarily targeted at covering child expenses per se. A lot of times they’re used for paying down debt, a down payment on some durable good; maybe a new car, washer and dryer, that type of thing.

There is some evidence that suggests that the expansions to EITC during the 1990s improved some child outcomes in terms of test scores, but by and large the evidence suggests that EITC is used for a lot of different purposes. This is a targeted credit to facilitate work by virtue of supporting childcare.

MS. KEARNEY: Presumably it would have an additional benefit of moving some kids into higher-quality care.

MR. ZILIAK: That's right, and the idea of changing the level of the credit between unlicensed and licensed is to incentivize people to move from the informal care that many low-income families choose to do because that's all they can afford to more center-based care which is higher quality and which has also been shown to have marked improvements relative to informal care for child development.

But it's important to recognize that the credit is available both for unlicensed and licensed because many moms have to work nonstandard hours -- nights, weekends -- when the quality daycare centers may not be as readily available, and they too need some support.

MS. KEARNEY: Great. All right, so let's move on to Scott, whose proposal would be about improving the way programs like these and others are actually delivered. Scott, first can you define for us in plain English what exactly is predictive analytics and rapid-cycle evaluation?

MR. CODY: Actually I think Bill Clinton did it yesterday when he said our proposal is we have data; let's use it.

MS. KEARNEY: There you go. (Laughter)

MR. CODY: Can I stop there?

MS. KEARNEY: No. (Laughter)

MR. CODY: (Laughter) Yeah, predictive analytics and rapid-cycle evaluation are two tools that we think antipoverty programs -- a whole bunch of programs -- can use to help target services to clients when they need them, help identify changes to programs that make the programs more effective, and help identify changes to programs that can make them more efficient.

Predictive analytics is really about using the information that we have about clients; their characteristics, their prior interactions with the system to anticipate what kind of needs and behaviors they'll have at some point in the future. We can use that information to make better decisions about how to serve clients.

I think a good example here is in New York City, the New York City Health and Hospitals Corporation runs the public hospitals in New York. They serve a large number of Medicaid patients, and they use predictive analytics with their Medicaid population to identify which patients currently admitted into the hospital are at high risk of being readmitted for the same condition or a related condition at some point in the near future.

With that information, they can then develop targeted post-discharge plans for these patients at high risk of being readmitted. A lot of times readmissions can be preventable. They can be caused by -- for preventable means. So, the hospital works with the patients to develop these post-discharge plans and try and prevent them from being readmitted to the hospital.

This is a win-win use of predictive analytics in that the intervention helps the patients maintain their health so that they're not being readmitted into the hospital. The Medicaid program doesn't, therefore, incur the costs of what was an avoidable hospital stay. That's an example of predictive analytics.

Rapid-cycle evaluation is about using rigorous research techniques to formally test changes in program operations and procedures to identify which changes make the program more effective. This is different than implementing a change that you think is going to work and then hoping it works and then looking at the data and trying to figure out, okay, did we move the needle. This is formally testing changes in the program.

As an example here, at Mathematica we're working with a couple of organizations right now that have voluntary services for the low-income population.

We’re working with a couple of agencies, but this could apply to job training programs, to family preservation programs, financial empowerment programs; basically anything where it’s a voluntary service.

The organizations we’re working with struggle with low retention rates, so they really can only have an impact with this population if they interact with them repeatedly. Yet more than half of the population that they serve comes in for one visit and then never returns.

We’ll work with them to formally test different strategies to improve the retention rates. It could be very simple, nudge-type prompts like changing the script that the workers have at the end of that first session with the client. It could be personalized follow-up, reminder phone calls. It could be automated text messages. It could be changes in what services are offered at that second visit.

With these tests, we’ll be able to hopefully determine which of these strategies is more effective in improving retention rates. We can compare that to the cost of the strategies and then make a better decision about what's the most cost-effective way to improve retention.

The last thing I'll say that we talked about in the paper is so these techniques aren't necessarily new. What's new is that the quality of data on public programs is improving, and the more data we have the more we can use these tools.

But one of the strategies we talked about in the paper is combining predictive analytics and rapid-cycle evaluation. With predictive analytics you may be able to identify which part of your population for a program is more or less likely to benefit from services. We know that our programs don't work equally effectively for all people. Using the analytics you can identify who's least likely to benefit and then use rapid-cycle evaluation to test strategies for that population to try and better determine what works for whom.

In the New York City example, you could envision something like this happening once the hospital's corporation has identified which patients are at risk of readmission. You could then test different strategies with those folks to see what is more effective at reducing readmission.

MS. KEARNEY: What are you envisioning or what are you suggesting that agencies actually do? Are they teched up enough to do this?

MR. CODY: Right now we think that one of the first things agencies can do is conduct a formal needs assessment, feasibility assessment --

MR. BERLIN: (inaudible) economics, and I'll -- let me give an example of some of that work in a second.

But just sticking with predictive analytics, in the 1980s, New York City worked with Jim Knickman and Beth Weitzman and others to develop an algorithm that would predict who was at risk of becoming homeless; case closures, frequency of moves, and other things. Then we targeted a homeless prevention set of services, eviction prevention services, paying your rent, et cetera, if you were about to be evicted, on those individuals with really modest success.

It turned out to be really, really hard to predict accurately who was going to become homeless, and we spent a lot of money on people that had a pretty low probability of becoming homeless. But we improved it some certainly beyond what it would have been if we hadn't done that predictive work. To this day, New York City works to try to refine it.

Scott uses an example of some of his work on Medicaid in New York City. John Billings and Todd Mijanovich developed this algorithm. We used it five or six years ago on a care management program. Again, another shortcoming was discovered. Some of the people that seemed to have the most in need, as determined by the predictive analytics, were also the least likely to benefit from that particular intervention in the end. Again, it wasn't quite as accurate. The accuracy issues, your ability to really predict are always going to be a question, but you can narrow the band down a little bit.

On the question of rapid-cycle evaluation and really what it amounts to is nudging and tweaking administrative changes, let me give an example. We're currently doing one of these projects that was really initiated by and inspired by the Department of Health and Human Services called BIAS, and it's a set of behavioral interventions. We were working with welfare agencies. We're working with child-support groups.

Here's one example: People who go to prison don't get their orders reduced. Their arrear is billed. They come out owing so much child support that they basically go underground with regard to work. The State of Texas sends a letter to them and says, why don't you apply to have your order reduced? Nobody bothers to do it. Why?

We did what's called a behavioral diagnostic. The first was the letter is sent by the same court that locked them up. The second thing was the letter was written by lawyers, and none of us could understand it. (Laughter) The third thing was it really didn't stand out in any way. It looked like a lot of the other crazy mail that inmates got.

We did our rework on all these kinds of things, and lo and behold, rapid-cycle turnaround, we quickly can write the report we've just issued that says we were able to get a lot more people to apply to get their order reduced.

But just stop and think about that for a second. It is the success that Scott described, but in the long run you also want to know whether that application was honored by that system or whether it's, in fact, part of a bigger problem where they're not about to reduce orders in Texas no matter whether you apply or not.

Secondly, if they did reduce orders, how much they really go down, how much arrears you come out with, and then eventually whether or not it means you're more likely to work above the books and more likely to pay child support and support your children generally.

But, of course, that's not rapid-cycle evaluation anymore. That's following people for several years after they leave jail to try to understand what happened.

I think it's really important to understand the tradeoffs here. There's been a lot of push to do these quick turnaround kinds of things, and you can do them, and they can be valuable, and they can strengthen government effectiveness. It doesn't necessarily mean we will be accomplishing the long-term goals that we have.

My last comment on this: There are many areas like this that I think we could really use to marry academics, analytics, with the management of programs. One of the crucial areas would be caseload dynamics. If you think about homelessness, welfare, hospital stays, the caseload is a function of the rate of entry and the rate of exit and your duration while you're in there.

All of these agencies ought to be collecting longitudinal data to tell them what those rates are and thinking specifically about how to manage at the front door while they're in the system and at the back door when people are leaving, because if you look carefully at most of these system, twenty-five, thirty, even fifty percent of the people coming in the front door were there before.

I really want to praise them for raising these kinds of issues. I think there is a lot of opportunity. It’s not a panacea.

MS. KEARNEY: Bob, what do you --?

MR. GREENSTEIN: Let me mention two examples of COI positive effects from this kind of combination of analytics -- using the data and evaluating it.

To go back to the Internal Revenue Service and the issue, which I would say if one is serious about trying to have a chance of doing these good policy changes in the earned income credit we have to make more progress in reducing the error rate in the earned income credit. It is the political barrier up there.

What the Internal Revenue Service does is they take a whole series of databases, child support enforcement databases, and others, and they design these algorithms, and they run them to select a subset of the EITC claims filed each year. The tax returns that are pulled as a result of the algorithms are the ones where there's a potential for a higher rate of error, and the IRS can try and check into and ask for some more information before payment.

The difficulty here is the IRS doesn't have enough staff to follow-up up on more than a very small percentage of the cases the algorithms pick up. But nevertheless, they do get good results, and they evaluate the results, and every year or two they modify the algorithms to make them more effective.

Perhaps an example that'll excite the audience more comes out of something called the Work Support Strategies project which is a project in six states. Several foundations are funding six states from across the political spectrum to experiment with various kinds of mechanisms to better integrate the application and renewal processes in SNAP, Medicaid, and in some cases childcare, and it often uses these kinds of analytics.

Here's an example from Idaho. The first question was when people are denied entry or removed from the program because they no longer meet the eligibility criteria, the program is working as it should. But when people are denied or removed for procedural reasons, and they're still poor and in need, that's a problem.

The first thing is you go through your food stamp caseload and you look at the denial codes. How many are eligibility denials and how many are procedural denials? They found high rates of procedural denials, and they found particularly high rates at renewal when periodically you have to come back in and get renewed for another -- your eligibility for another 6 or 12 months.

That raised the next question: Is there a siloed system where you have to come into the office and bring your documents to get renewed for SNAP, and two months later you have to perhaps take time off from work and sit for hours in the office and do it all over again for Medicaid? They looked, and they had a siloed renewal system.

This is a project that involves the states, foundation funding, Urban Institute, ourselves, and Center for Law and Social Policy. We all work with the state and an experiment was designed. Basically you took the renewals in a given month and you did half of them the old way, and you do half of them with linked eligibility so that the documents -- if you're renewed for one program, you set-up the information technology sharing, so you're automatically renewed for the other. You have to do it once, not twice.

The results were dramatic. The rate of procedural denials dropped substantially. The rate of churning dropped substantially. People in need didn't go off for 30, 60, 90 days or even be lost for an indefinite period and come back on, so they implemented it statewide and the take-up rates were significantly improved.

I think the biggest barrier -- Scott knows more than I, so I'm interested in his thoughts here, but he talks about this in the paper. The biggest barrier I fear is that at federal and especially at state levels in many states, they right now aren't equipped with the staff capacity, either in terms of numbers of staff or types of staff, to do these analytics and then to act on them when they get the results. I think that's probably one of the impediments to a wider use, but we have enough examples, I think, of positive gains that this is clearly something for the future to try to get to the point where it can be used on a wider scale.

MS. KEARNEY: Did you want to follow--?

MR. CODY: Yeah, I think that that's right. There are a couple of barriers, and that's, sort of, the motivation of the paper to making this more widespread, and some of it is data. A lot of the motivation for using predictive analytics and rapid-cycle evaluation is that it's used in the private sector very effectively: The president's 2015 budget cites Capital One which famously runs 10s of 1000s of experiments a year, and many other organizations -- many private sector organizations run experiments very frequently.

So, the expectation is we can do that in the public sector with equal success, but some of the limitations that have been identified here are significant barriers to overcome. Even within IRS, having the data systems that will work and are integrated and making sure that the administrative data are high quality data, which is less of an issue with public sector point-of-sale data, but also this issue of structuring the decision-making within the program and who's doing the analysis and how they are interpreting it and interacting with program-level decisions is actually a pretty critical issue in that -- actually to cite the private sector, when you talk to the folks who do this in the private sector, speaking of rapid-cycle evaluation, they'll tell you that's seventy to ninety percent of the things that they test fail.

That's, kind of, the attitude here of using rapid-cycle evaluation. Let's test many things. We've got administrative data that's low cost; let's see what works. But if you're going to have that kind of attitude you need a partnership between the people doing the analysis and the program staff. But they can't be embedded in a way that they're married to different changes in the program. There is a lot of thought that needs to go into not only having the resources to do the analysis, but how it's structured within the program.

MR. GREENSTEIN: And you have to deal with the problem. Sometimes you see the lesson, but the administrative agency says, I'm so overwhelmed as it is, because you need additional staff effort to make the change even if the change might save you staff over time.

MR. CODY: Yeah, and I think the bottom line is to make this a reality it's more than just number crunching. There is some real thought into data quality and administrative structure then.

MS. KEARNEY: We've got a number of great questions. Before I turn to the audience questions, I want to come back to something that both Gordon and

Bob raised and let Jim and Hilary weigh in.

We live in a second-best world, and we're trying to do a lot through the tax code because we can't pass the spending programs we might want to pass. One of the consequences of this is that we have trouble supporting people who aren't paying taxes or working, and both of your proposals focus on supplementing income for working individuals. If you could step back, what's the optimal safety net? What types of programs would you have in mind?

MS. HOYNES: I'll start. I think I'll make one point, and that is that it's very clear in what we've learned from analyzing the data from the Great Recession, which is our first, sort of, stress test of this really important dimension of the safety net -- the out-of-work safety net -- especially in the post-welfare-reform world.

It's very clear that things worked pretty well relative to how, say, poverty responded in prior recessions, appropriately compared, with one exception and that is extreme poverty, that is defined as incomes below fifty percent of the poverty line, were much more volatile, much more affected in the Great Recession than what we would have predicted from historical -- I'm really just pointing out some data to support your argument which is I think we really are at a place right now where a critical element of the safety net is broken; it's gone.

AFDC's cert was always small and not very generous, but it's much smaller and less generous today, and you see fewer people in those times of need going on TANF. In fact, states that had much more severe shocks in the Great Recession didn't experience greater increases in their TANF caseload than states that had moderate shocks. In fact, many states continued to experience declines in their TANF caseload.

Now, the SNAP program was the great, amazing savior for many households in the Great Recession, and the evidence shows it was very important. But I think that the place that we need to push towards -- to answer your question about how we move towards a first-best, consolidated safety net -- is to rethink what we're missing at the -- really for protecting against the most disadvantaged.

MR. ZILIAK: Before I go to the optimal, I'd like to respond to a couple of comments that were raised by Gordon and Bob.

One concern that Gordon raised is that the policies build on a little bit of hope that moms will respond to the incentive provided through the refundable childcare credit. It's not complete, just uninformed hope. (Laughter) There's actually a very large literature estimating the effect of labor supply responses to subsidize childcare, and the response shows that for every ten percent cut in the price of childcare, labor supply of moms responds three to six percent.

It's not as big as the EITC effects that we've identified, but still it's nontrivial. It's true that the literature's not as large as the EITC, but it is actually a very well-established and high quality research agenda. I personally have not contributed to it. Phil has actually contributed years ago to that literature. So, there is some information behind the response that one would hope from this refundable credit.

The issue that Bob raised is about the administrative burden; is there the capacity in the IRS? I think that's a great point. I want to underscore that the advanced option is not a mandatory thing, right; it's an option, right. So, people would have the option of making it simpler; just doing it at the tax-filing period.

The problem is, as we've discussed, is that this is a recurring expense, and so it's not like you can generally sign up for childcare and pay once a year, although I guess we can't rule that out; we do it with tuition and other things like that in this country. So, there is a role, I think, for the advance, but I don't want to downplay at all the administrative capacity issue.

Moving more towards the optimal, I also agree with Bob that you would think you would want to do it on the spending side, and so you can ramp up TANF or the community development (inaudible) working through TANF. But I think this goes back a little bit to some of the remarks of President Clinton yesterday in that the culture surrounding the TANF program changed dramatically after welfare reform, and that states really were incentivized to help people move from the TANF program into work.

So, I think the low-income population doesn't really look to TANF as a first line of defense like they did in the old days. So, I think they're -- to some extent, if we want to use the spending side, there would have to be a culture shift at the state and local level on what we think about TANF.

Without a doubt I agree that deep poverty's actually been (inaudible) rise for some time in deep poverty, and this is the part of the safety net that I think we're struggling with. Some research I did some years ago, while moms who had the skill, is ready to work, high school graduates or beyond tended to do well in terms of their after-tax income after welfare reform, but the moms who were high school dropouts tended to struggle quite a bit.

Focusing more on the truly disadvantaged population, and as we think more broadly about the safety net, who is falling through that crack, I think, is really important. Part of it, I think, is coming through the childcare portion because -- and some of the work that (inaudible)[Sendhil Mullainathan], his work on scarcity, that one of the challenges that low-income populations face is just the scarcity of time because they're just trying to put one step in front of the other, and sometimes they can't do that. Thinking about the design of the safety net under these behavioral constraints, I think, is really crucial.

MR. GREENSTEIN: There's an amazing factoid here that relates to what Hilary and Jim both just said. In the late 1970s, for every 100 poor families with children, 85 received cash assistance through the old AFDC program. In 1995, for every 100 poor families with children, 68 received cash assistance through the program. Today the figure is 26.

Work by Schaefer and Eden, among others, clearly establishes a link between the collapse of cash assistance and the increase in deep poverty as Jim was referring to.

MS. KEARNEY: Here's a question from the audience, and I'm going to read the question and then put it into a bigger debate that I'd like to raise. The question is: What is the impact of the proposals on marginal tax rates and marriage penalties? This gets to the point you just raised, Jim and Hilary; we need to target programs to the most needy. But, of course, when you target programs that means you have to phase out benefits, and that leads to this unfortunate consequence that low-income folks get hit with high marginal tax rates.

Now, the bigger picture issue is this, of course, is the challenge to these programs, and a number of people in DC are now saying, well, this is the problem with these programs; they trap people down there because of the high marginal tax rates. What's your response to this line of questioning?

MR. ZILIAK: My preference is that the Congress approve all of our proposals, including yours last fall which basically tried to correct some of that marriage -- in particular for married couples, but for more moderate income families to try to solve some of those high marginal tax rates.

Absolutely the marginal tax rate would increase ten percentage points for families between $25,000 and $70,000. In my proposal, if you have a child under age four, if you add that on top of the marginal tax rate or the earned income tax credit with two children that's 21.6 percent, so yeah, it's a concern. This is a challenge with targeting, is trying to align incentives appropriately so that you don't ultimately work against what you're trying to do.

MS. HOYNES: I think there's two related pieces of what you suggest, and that is that the very fact that you have to for targeting and budgetary reasons phase out programs. There's the issue that on the margin for people who are already in the labor market, they could be actually discouraged from working more by virtue of the fact that these high marginal tax rates are piled on top of one another.

Interestingly enough, the research, at least with respect to the earned income tax credit, that tries to analyze that struggles to find an important response to those marginal tax rates. While we find the very strong evidence that employment goes up, it’s hard to find convincing evidence that people cut their hours back or cut their earnings back in response to that phase-out region.

Now, admittedly it’s a much harder problem, statistically, to solve, and so it’s possible that we may learn more about that. But I think, taken at face value for the knowledge we have, integrating that back end to thinking about an optimal design aside from the political context, I think we could argue easily for more targeting and a higher phase out because the employment response is there, and there’s not a lot of evidence.

The related question, which is part of the same phenomenon, is -- as it relates to the marriage penalty as well because again, because you have to phase out a program, because you phase out a program as incomes are combined, in a world in which the family is taxed rather than the individual, of course, you have the same kinds of adverse incentives for creating married couples where there are two earners as your and Leslie's proposal addressed in the fall.

I think the evidence is also not that strong. If we were to get rid of those problems would it create a lot of new marriages? I think the evidence is not very strong that it would, but I think one could still make strong arguments from equity principles that one would want to create stronger benefits for larger families.

MS. KEARNEY: We have two questions, so I'll combine them, on the cost of the childcare tax credit proposal. Can you talk a little bit -- these are some of the details in the paper that didn't come out in the panel -- how you proposed to pay for the refundability aspect.

Then the second part of that question is whether childcare tax credit changes will drive up the price of childcare much like college tuitions rise in concert with the availability of higher education grants and loans? An infamous question for you.

MR. CODY: Yeah, great. Wonderful.

(Laughter)

MS. KEARNEY: We got tax people here. I love it.

MR. CODY: You're picking the hardest questions for me, Melissa. (Laughter)

The cost of how they would use these tools, what questions, what decisions could you inform with predictive analytics? What changes to the program would you want to test with rapid-cycle evaluation? And then importantly, do you have the data quality to support these types of analyses? Because these really do depend on not only having data, but having high quality data, otherwise you're going to make ill-informed decisions.

The rest of our proposal is really around encouraging agencies to take some steps that will facilitate these types of analytics in the future, ensuring -- there's a lot of push for this in Washington right now, both from (inaudible), from the Hill, to push for data to be more accessible and more linkable across programs because our programs serve a lot of the same people, and the more we know about people the better decisions that we can make.

Another part of our proposal -- yesterday Sheena said that she had the least sexy proposal, and I would like to compete with that. (Laughter) Part of our proposal is to promote data governance, and I really don't think there's anything less sexy than data governance, but it's actually kind of important.

Data governance is about accountability of data; who in the agency is accountable for ensuring data quality; how is data quality measured; who gets to make decisions about data; and those types of strategies can improve the quality of data going forward.

MS. KEARNEY: Great. I'm going to turn to our discussants.

Gordon, MDRC's been evaluating safety net and work-support programs for decades. Do you believe the proposals we have here on the earned income tax credit and the restructuring of the child and dependent care credit, do these sound like good policy to you?

MR. BERLIN: Of course they sound like good policy. I think it's really helpful to just step back for a second and ask ourselves what the problem is that we're really trying to solve. In simple terms, it's unemployment and low earnings among single parents, persistent poverty, and diminished life chances for the children who grow up in those families.

It's really important to understand that these problems are not just about the lingering effects of the Great Recession; they're part of the set of long-term trends that have been underway for a really long time. Getting those trends right and really understanding them is critical to understanding what policies can really make a difference.

One good way to understand this is to remember that in the 25-year period between, like, 1948 and 1973, the economy was growing at 2.5 to 3 percent a year, and wages, earnings, and income were also growing. They were both in lockstep. It was as if the whole country was on an up escalator. Then this relationship between economic growth and growing wages and earnings and income was severed essentially after 1973.

So, a full-time male worker in 1973 was earning $41,000. Here we are all these years later, a full-time male worker in 2014 is earning about the same thing. The economy kept growing, but wages didn't keep growing. That, it seems to me, is the fundamental problem that we have to figure out how to address. Now, there are lots of reasons for it; we don't need to get into those here -- the decline of unions, the difficulty keeping the minimum wage tied to the average, and lots of other activities.

What's important to understand is that we need to create a new set of institutions that fit the problem in the 21st century. It doesn't mean recreating or trying to reestablish what worked in the 20th century. That's where I think Jim and Hilary's proposals really come in.

One of the crucial institutions, one of our most hopeful and potential institutions for trying to address this problem of low earnings at the low end is, in fact, the EITC and other strategies like a refundable tax credit. Now, Hilary and Jim go a step further.

Hilary's very worried about the inequities between one parent and -- I mean, one-child and two-child families.

Jim raises several other issues. He's concerned that employment rates have fallen since 2000, he's really uncomfortable that we're spending so much money, taxpayer money, on child credits for middle and upper-class families, and he'd really like to nudge mothers towards more formal kinds of care that would be likely to be more effective.

I think if you start with Hilary's proposal on the EITC, she makes a very powerful case that, in fact, the EITC has increased employment; it has increased earnings. It's really, for both equity and efficiency reason, a really good place to start to try to address these problems. But we have to remember that we're ignoring the safety net for those people who aren't working if we privilege putting the $9 billion or so that would cost here.

I was fascinated by her argument about using the equivalence and the supplemental poverty measures to try to really understand what the right amount should be. Of course, it raises the question of whether we ought to be doing that with the whole schedule and really stepping back and asking how to rationalize the schedule in a meaningful way.

It raises major issues. As she pointed out, if you look at the group that makes up twenty-five percent of the population but gets by far the smallest amount, childless singles, there's huge issues there to think about.

I guess I was also really focused on how we can use this kind of strategy to step back and really think about how we would rationalize the safety net more generally. But I think of all the proposals out there, the focus of expanding the EITC in the way that she’s proposed and in the context that she’s proposed it -- doing something about childless singles and also about second earners as Melissa has proposed -- does certainly make a lot of sense, and I think it really would respond.

Jim’s proposal has a harder hill to climb because it’s not clear one hundred percent what the relationship is between solving these childcare problems and increases in employment, and that’s really the way he’s motivated his paper. I think really the fundamental problem is that childcare’s pretty expensive, and people don’t have sufficient funds to pay for high quality care, and it’s not, again, clear that the refundable tax credit is the way to get there.

I think, of course, the problem is you want to go after that issue more directly. Maybe through the existing childcare funds and the TANF funds for childcare programming for low-income people, so it was very well-targeted, but no one thinks that's feasible. It seems possible that we might be able to get some movement in this area, and that would push for and argue for doing something around a refundable childcare credit. But his proposal is really complicated.

In my world, if you want to change behavior it's really important to communicate in a way that's clear and straightforward, and I think it'll be hard for at least some low-income people to really get how this would work.

MS. KEARNEY: Great. Before we move on to Scott's, I want to invite Bob Greenstein to comment on this. I'll pose it to you as two questions. First, how do you see Hilary's proposal fitting in the broader debate about the future of the earned income tax credit and where we should be pushing on it?

MR. GREENSTEIN: The case that Hilary makes for her proposal is impeccable. She clearly demonstrates in her paper that, using the best equivalent scales, the level of the earned income credit for families with one children is too low relative to what we do for families with more children. She adds it to the list of desirable improvements in the earned income credit.

Having said that, if you work in the political/policy world here in Washington, you often have to set priorities. When I read the paper I go, this is a terrific paper. This is a really good proposal. Where does it fit in the priority list on refundable credits? In conjunction with Hilary, we ran poverty numbers -- (inaudible) in our office -- on her proposal. We've also run them on the elephant in the room in the refundable credit world which is that there were significant improvements made in the refundable credits.

Both the EITC and what we call the additional child tax credit -- this is the refundable component of the child tax credit -- both had significant improvements made in the 2009 Recovery Act. Those now run only through the end of 2017. They need to be, in my view, made permanent. The Obama budget proposes making them permanent. But so far there has been no movement on that on the hill, and it is a very big challenge. I think the odds are probably, at this point, politically less than 50/50 on that.

I found myself wanting to compare the two, so let me give you a few numbers. Hilary's proposal moves 410,000 people and 130,000 children out of poverty. Making the 2009 improvements permanent on an annual basis moves 1.5 million people and 800,000 children out of poverty.

We also should be asking not only how many moved out of poverty, but how many made less poor. Hilary's proposal: 3 million people, 900,000 children less poor. Very impressive. Making the current improvements permanent: 15 million people and 7 million children less poor.

Now, to be clear, it’s a more costly amount. It’s bigger. But there’s one additional issue -- all poverty isn’t the same. There’s a difference between being at twenty-five percent of the poverty line and ninety-five percent of the poverty line.

Hilary’s proposal, which is very well-designed -- I am not in any way suggesting the design should be any different than it is -- it starts benefiting single-parent families at $9,720 a year. The things we need to make permanent help people below that as well. So, I would rank number one making permanent the current provisions that are scheduled to expire in 2017.

The tougher question is the one Gordon raised -- how do you prioritize a childless worker versus the one-kid families? As Hilary noted, if you want to apply an equivalence scale test than the one that stands out the most is how tiny the credit is for single individuals and married couples without children. And there are these big issues about low labor force participation rates, particularly for young people from low-income areas starting out in the labor market.

I think for all of those reasons I would probably put that higher as well. So, that puts her proposal third on the list. Having said that, for people like myself and others who work on this, prior to this paper we didn't have that proposal on the list. It is now on our list. It's just that the other things are even higher on the list.

Our goal should be to get all of them. We have $1.1 trillion a year in tax expenditures. There ought to be a way in tax reform to do all these things. Right now the political will isn't there, and we're probably going to have to go increment by increment. But in the ideal world, we do a really good tax reform, and we do all of them, including Hilary's proposal.

MS. KEARNEY: Okay. I just need to pause because the public finance professor in me can't help myself, but I want to make sure that everyone understands why we're focused on refundable tax credits. It's because refundable means even if you don't owe positive taxes you could collect the credit. Nonrefundable only applies to people with positive tax, so the liability and necessarily doesn't hit as low-income folks. Okay, check that box. Thank you. (Laughter)

I'll let Hilary weigh in on this, but part of my understanding of Hilary's motivation is that we actually have a lot of evidence on how the EITC incentivizes behavior and benefits family with kids, and the evidence isn't quite there yet for childless.

MS. HOYNES: Right, and I think that's part of where I come in in thinking about the tradeoffs between the childless expansion versus the kinds of things that I'm suggesting in my proposal. We have less evidence about what the EITC does for people without kids simply because we haven't had policy variation to explore.

So, it really is quite a, in some ways, more disadvantaged population in terms of connection to the labor market and other sorts of barriers around overcoming prior incarceration and so on that I think makes us less certain about what the labor supply effects are going to be for this population. But perhaps Gordon could tell us a little bit about what MDRC is doing that could inform that in an important way.

MS. KEARNEY: Okay.

MR. BERLIN: Hilary's referring to an experiment that New York City began called Paycheck Plus, and it really was an effort to experiment formally with a singles EITC expansion.

It tries to address two fundamental problems: The first I've already mentioned which is this 40-year secular decline in employment and earnings, especially among men with limited education; but the second, if you think about it, is the tax and transfer system which, by defining the deserving poor as pretty much only children, has essentially excluded singles and especially men.

The example I like to use is if Hilary and I work alongside each other, and we both make $15,000 a year, and she has two children, and I have none, at the end of the year she's going to get an extra $5000 to $6000. If she decides that she loves me and wants to marry me --

MS. KEARNEY: And doesn't pay attention to the tax consequences.

MR. BERLIN: Right, exactly. She'll lose a big chunk of that income. Our joint income would go down. So, we've created over time, not deliberately, a system which essentially distorts the incentives to work, marry, bear children, and support your children, and it's not really the way we ought to be proceeding.

The question, of course, is so why don't we try to make work pay better for singles in addition to the fact that they're not really in the deserving-poor category? One reason is there's a lot of doubt about what the response would be, what their employment responses look like, the kinds of employment responses we've seen here. Would their behavior related to crime, related to marriage really change?

So, what have we done? We've created a

singles EITC. We've enrolled 6,000 people in this formal, randomized, controlled trial. We phase up the EITC to a $2,000 maximum at a thirty percent rate, so it's $7,000. You get an extra $2,000. The plateau would be you'd keep getting $2,000 until your income reached $18,000, and then we phase it down to the seven percent rate.

If you look at the typical schedules, we're essentially at about two-thirds of what the singles credit ought to be. If Hilary gets her way and we raise that, I'd raise the singles EITC to get back up to that equivalence level.

We're going to be tracking the two groups over time. It's being operated by the Food Bank of New York City which is the largest (inaudible) provider in the city. We're using a lot of rapid-cycle evaluation techniques to tweak the messaging because people can't respond if they don't really know about it. We hope to learn a lot more.

What I worry about, just for equity reasons, not to mention American value reasons, we ought to do this as a country. We may not see the kinds of employment effects that we'd like, so it's really important to understand if the incomes affects themselves and other related kinds of findings. We need to make sure that we measure those as well.

So, that's essentially what we're testing, and it was, I think, New York City's decision. Linda Gibbs is here, and she was essential in that process that we really needed to address this problem, and we weren't going to address it on its merits. We were going to need to have stronger evidence about the likely employment response.

MS. KEARNEY: Okay.

MR. GREENSTEIN: One key point here. We've been talking about relative EITC amounts. Of course, the mothers with children also get the child tax credit. No such thing for the people without children. They get full food stamps. There are limitations on food stamps for single individuals without children.

So, as Gordon said, we don't have much of a safety net in this country. We have less than we did 25 years ago actually for people without children.

MS. KEARNEY: All right. So, let me ask you to weigh in. What's your assessment of the childcare tax credit proposal both from a policy and an administrative standpoint?

MR. GREENSTEIN: Here I have a kind of a split sense. Here we are today. We have -- and Jim lays this out very well in his paper -- we have the equivalent of an open-ended entitlement childcare subsidy for upper-middle and upper-income people. You have a childcare cost, you get the dependent care tax credit. It's effectively an entitlement through the tax code.

If you're a low-income person, you don't have an entitlement. You can get the credit. It's not refundable. You can try and get a childcare subsidy through a spending program, but the spending programs are capped, and the HHS estimates are there are only 1 in 6 low-income families eligible for this and with childcare costs to get the subsidy.

Jim's proposal squarely addresses these problems. So, what's my hesitation? The hesitation, sadly, is it's not clear that a key part of his proposal can be, at the present time, administered by the Internal Revenue Service.

He designs the proposal rightly so that the subsidy would come each month. I mean, if you have to meet monthly childcare costs, simply, as in the case of the EITC, getting a big lump at the end of the year on April 15th doesn't help you each month meet the childcare costs, so he has a mechanism to try to do that.

We only have one other place where we're trying to do anything like this; to have a tax credit provided in advance each month for a specific expense, and it is the premium tax credits under Affordable Care Act.

We will, next spring, go through for the first time a tax reconciliation where a bunch of people are going to find, because their income changed during the year, that all of a sudden they have to write checks back to the Internal Revenue Service. We'll have to see how that plays out. But there's a fundamental difference between the Affordable Care Act's advance premium tax credits and the proposal in Jim's paper for reasons that there's no way Jim could get around, and it's this.

I actually was talking about this last night to a current Treasury tax official and earlier in the day with someone in the audience who's a former senior Treasury tax official, and they both basically were pointing out the same thing; that you have to have a mechanism to avoid people owing large amounts back. Jim does some things to mitigate the problem, but you need a mechanism where during the course of the year there's a way to report my income rose, I got a much bigger job, the kid is with the other parent, I've moved to a different childcare center that isn't licensed or is licensed.

In the Affordable Care Act there's a third party that does that. You report through the health insurance exchange. The exchange then gets the advance premium credit adjusted accordingly. In the case of childcare there's no third-party mechanism. You can't ask the thousands of little daycare centers across the country to play the role that the health insurance exchanges play here. The IRS is going to absolutely say they can't do it.

We have a real challenge on how you make that work. I drew a few lessons from that. Number one, if you'll let me express a little outrage, I am really tired of members of Congress saying we can't do any of these things, and we can't expand the earned income credit either because the error rates are too high, while they keep cutting the IRS budget so the IRS doesn't have the resources to address it. And the House cut the IRS budget further yesterday in the new Appropriations Bill. That's a problem.

Secondly, hopefully we'll learn things from the Affordable Care Act, and maybe we can figure some things out over time, but the lesson it really elevates is childcare subsidies with an incentive for higher quality, licensed centers -- what Jim is trying to do -- this is really something to do it right you need to do it through a spending program, not trying to do it through an advanced tax credit. But politically, we can't do that.

This is a clear illustration of the insanity of the division we have politically. Anything on the tax side good; anything on the spending side bad. Tax expenditures are spending subsidies through the tax code, right?

MS. KEARNEY: I thought that was a secret. (Laughter)

MR. GREENSTEIN: We're going to have difficulty really adequately addressing the issues Jim tried to address until we either can overcome the artificial division between tax expenditures and on the spending side of the budget, or IRS is given really big infusions of resources to completely revamp its computer systems, do all kinds of modernization, and many more staff. Sadly, right now neither of those seem on the political horizon.

MS. KEARNEY: Okay, so that means we need better agency service delivery to implement good policy, which is a great segue to our next proposal.

Gordon, your organization places a large emphasis on evidence-based. So, predictive analytics, rapid-cycle evaluation, they sound great. Do we have evidence that they work?

MR. BERLIN: Oh, that's a good question. (Laughter) I think in general the bottom line is that it would be good if government agencies did more of this, but I think we have to be practical about what the long-term, likely outcome would be.

On the predictive side, academics and government agencies have been doing a lot of this work for a reasonably long time. Not as much, I think, as Scott thinks they should, and I agree with him, but they have been doing it.

On the rapid cycle side, using administrative records, looking at that data earlier is also something. Even the original Welfare-to-Work studies relied on administrative data issued (inaudible) reports that were reasonably quick turnaround.

The next generation has really been driven by the push towards behavior --

MR. ZILIAK: (inaudible) your (inaudible) right now as a current child and dependent care credit from the Joint Committee on Taxation's about $18 billion under the current nonrefundable, and again, as we've discussed, this is kind of an open-ended credit. It's not capped in terms of income, and so the expenditure on that credit is going to move from the high end to the low end of the income distribution.

I've not done a simulation to cost out the total amount of this proposal, but I actually think that it has a pretty reasonable chance of being revenue neutral because of the behavioral response on labor supply margin. There would be more people into the labor force working more hours which would offset some of the revenue loss from the tax expenditure. This is a little bit closer to an uninformed (inaudible) in terms of the cost part. Unlike Bob, I don't have my own simulation model, so I can't do that.

The incidence -- that's a great question -- of what might happen to the cost of childcare through the form of the subsidy. There is some evidence to suggest that firms are cutting before-tax wages in response to the EITC, so I don't think you can walk away saying that childcare providers would walk away from the childcare subsidy without raising prices. But it's the case that the increased income that low-income families get from the EITC, once you combine it with the earnings, leaves them much better off even though firms might be reacting into the presence. I think likewise you would see, while the price of childcare might go up, the subsidy at the end of the day will leave them much better off.

MS. KEARNEY: Okay, so one for you, Scott. How can --

MR. CODY: If this is a tax question can Jim answer it? (Laughter)

MR. ZILIAK: I'll answer it.

MS. KEARNEY: How can service providers

convince funders, both public and private, to support continuous improvement practices like predictive analytics and rapid-cycle evaluation?

MR. CODY: That's a good question. I think part of it is around identifying quick wins which can be difficult when we're talking about things that, as the commoners have identified, there's some real challenges here. We're talking about running tests on things that -- we're testing because we expect some things will fail. So, identifying the quick wins, being able to point to the quick wins, is one strategy.

But also I think that there's -- in talking with folks in state government, they're, sort of, prioritizing what I would call program-integrity uses of particularly predictive analytics where you can use these tools to identify ways to make sure benefits are going to the right people and there's an identified savings associated with the tools. That kind of opens the door to investing in data, investing in systems to use them for program integrity can then open the door to using these tools and make sure you have the data to use them for other ways.

MS. KEARNEY: Great. So, we have 30 seconds left, so I'll give you all a chance for a final concluding thought you want to share. No, we fixed it? Okay. So, I'm going to take --

MS. HOYNES: Do it all.

MS. KEARNEY: I'm going to take 45 seconds, because I do want this crowd to weigh in on one thing. There are people in this town who think that the War on Poverty failed, and that programs have not helped the poverty situation in the US. What's your view on that claim?

MR. GREENSTEIN: Monstrously false. Seriously. The claim that it failed is largely based on a misuse of poverty data where people take the official poverty rate and they say it's the same today as it was when the War on Poverty started. But the official poverty rate only measures cash income.

It counts cash welfare, which has been sharply reduced since that period, both for single individuals largely eliminated and for families with kids as we’ve talked about. It fails to count almost all the major things that have expanded -- it doesn’t count food stamps; it doesn’t count the earned income tax credit; it doesn’t count Section 8 vouchers.

Analysts across the political spectrum, I think, largely agree that a better measure of poverty is a more comprehensive one that counts those things, and the important research that came out of Columbia University in December where they did an apples-to-apples comparison on equivalent comprehensive measure going back to the late sixties actually found significant reductions in poverty between the late sixties and the present when you use a consistent comprehensive measure.

MS. KEARNEY: Gordon?

MR. BERLIN: I would just add to that that what really failed is the economy. This is a huge issue, and we have to be willing to take it on. The simple fact is that economic growth is no longer going to the lower-middle and the bottom.

If you think about the War on Poverty, it had at least three legs on that stool, and the most important, the most powerful, was economic growth. Everything else was in the service of that. Human capital investments to help you take advantage of it, and on the other side, income supports while you were getting the human capital investments to take advantage of it. That was the theory of action behind the War on Poverty. That fundamental stool, economic growth, was pulled out from under, and that's why that stool is tipping over.

MS. KEARNEY: All right. Let's thank our authors. (Applause)

MR. EDLEY: Welcome back, everyone. My name is Christopher Edley, and I have the privilege of moderating the last and best panel. Just a moment, a personal privilege; I really want to thank the organizers, not only for giving us this special position on the program, but for assembling such a marvelous group of folks over these last two days.

And as a personal matter, I have to say that a substantial number of my personal, professional heroes have been here and been around, and it's really been wonderful to me. I think my first professional soldier in here in Washington, back in the Carter administration, I learned the most important lesson of my career, and that is to do whatever Bob Greenstein tells me to do.

But I was inspired by the passion of Bob Lerman, by the relentless, analytical force of Belle Sawhill, by Les Samuels and Bob Reischauer from the Importance of Being Tall. So, it's really been a re-inspiring assemblage for me, and I hope for many of you, as well.

In this panel, we're going to talk about some quite fundamental things; the minimum wage and also, issues of job-sharing and unemployment insurance. And to do that, we have terrifically interesting papers by Arin Dube, who is a professor at the University of Massachusetts at Amherst -- will be telling us about his ideas with respect to the minimum wage.

And Katharine Abraham, former head of the Bureau of Labor Statistics, a professor at University of Maryland, economics department, will be talking about job-sharing in the context of the unemployment insurance program as an attempt to crack the back of persistent or longer-term unemployment. And to comment on these papers and generally make trouble, we have Greg Mankiw at Harvard, formerly chair of the Council of Economic Advisors and a noted, not only scholar, but public intellectual on all matters economic.

And Jared Bernstein, who was the chief economist, chief economic advisor for Vice President Biden, and is now a senior fellow at Bob Greenstein's outfit, for the Center for Budget and Policy Priorities. I want to thank all of you for agreeing to do this, and thank you, especially to our two authors for some great papers in a spectacular volume.

I think actually, why don't we start, Arin, with you, with the minimum wage issue, and let's get people earning something before we talk about what happens to them when they get laid off, if that makes any sense. So, let me just toss out a question to get the ball rolling.

You talk a lot about both the question of where the minimum wage should be pegged, and also, the interaction between the federal minimum wage on the one hand, and state and local minimum wage on the other. And my compound question is, how does the role that you suggest for state and local minimum wages interact with proposals to raise the federal minimum wage? And also, though, how do you peg it? I mean, saying half of the median, for example -- I mean, what's the normative basis for pegging it there?

MR. DUBE: Thanks. And again, thanks, everyone, for attending this last session today, even without the star power of our former president.

MR. EDLEY: He's coming back any minute now. He might be late, but --

MR. DUBE: So since 1938, when the Fair Labor Standards Act was passed, and until about mid to late ‘80s, most states did not have a binding minimum wage that exceeded the federal standard. So, most of the variation in minimum wages really was at the federal level.

However, beginning in the 1980s, when we had nearly a decade of a stagnant federal minimum wage, states started to experiment, and you had something close to a dozen states by the early ‘90s. And then eventually, in the 2000s, when we had another decade long stagnation in the federal standard, we had about 37 states as of 2007 that exceeded the federal standard.

So, one of the ways in which states have responded to lack of federal action is by increasing the minimum wage. It’s been a stop gap policy. But there’s also another reason why it makes some sense to have variation in the minimum wage across different areas. For example, if you take the median wage in Massachusetts, where I live, it’s about 56 percent higher than in Mississippi. That means the same, let’s say, $7.25 an hour really means something pretty different in terms of how binding it is and how many workers are affected by it, and how much of an intervention you are causing in the labor market when you take Massachusetts and Mississippi.

So, my proposal has a number of components to it, but the key component is basically to have or present guidelines for states and increasingly cities in thinking about setting a minimum wage target. So, this is, by the way, something that is happening already. There are, as of today, 23 states that have a minimum wage greater than the federal state. An increasing number, as many as 38 are considering in the current legislatures of increasing the minimum wage.

There's 10 cities now that have enacted minimum wage, which is really a recent development in the last decade, and a number of others are considering it. So, this is happening already. What I'm doing is to propose some guidelines in thinking about how both states as well as metro areas and regions can think about setting standards that make sense; that make sense for their labor market and that make sense regionally.

And for that reason, it's important to have in mind something about what the wage distribution would have been like, had there not been a policy called the Latent Wage Distribution. And it turns out, a good proxy for that is a really simple one, taking the median wage. And if you take the median wage and compare the minimum wage to the median, that gives a pretty good proxy for how much of a bite this minimum wage is actually having.

This is a variant of what economists have sometimes called the Kaitz Index. There's a lot of historical as well as comparative evidence or examples of that Kaitz Index wage to the median full-time wage, which because it's a mouthful, I'm just going to call it the median -- minimum to median ratio. It's been something around 50 percent. Okay?

So, in other words, if you look at the 1960s and 1970s in the United States, the minimum wage stood about, on average, close to 50 percent of the median.

If you take just now, the OECD countries' average, the minimum wage in those countries on average stands at around 50 percent of the median, 49 to be exact.

In the United Kingdom, the low pay commission, which has discretion over minimum wage setting has fairly clearly targeted something in the -- close to 50 percent as what they think is a reasonable amount. Now, there's nothing magical about 50 percent. You know, it's not that something dramatic happens if you cross that threshold, but there are some things to keep in mind.

For example, would you want a minimum wage that's set really close to the median wage? Probably not. That's a very, very strong intervention in the labor market functioning where literally, half of your workers are essentially being -- or close that, are being compressed at the very bottom. That's going to have a lot of different types of inset of issues.

At the same time, if you set the minimum wage so close, like 10 percent or 20 percent of the median wage, virtually no one is going to be affected by that, so it’s just not going to have much of an effect. So, we know it’s somewhere between zero and one, and there’s a lot of historical evidence around something like half the median wage. And also importantly, in the last few decades when we’ve had the kind of variation in minimum wages that have allowed us to really learn from what the effects of the policy are, we have basically variations in the minimum wage between something like 35 and 55 percent of the median, and we have learned a lot about the affect of minimum wages on things like employment, poverty, et cetera, using that nature of variation.

And that gives me comfort in proposing something around 50 percent of the median as the benchmark. Just to really quickly -- I understand that I have 30 seconds to wrap up. What does this actually mean? This will mean minimum wages across states that may vary between something around 7.97 an hour in Mississippi, as much as something like 11.45 an hour in Massachusetts.

So, that’s kind of the range we're talking about. A lot of the roughly speaking, 14 states, would have a minimum wage that exceeds $10 an hour, another 18 between 9 and 10, and another 18 under nine. So, this is again, some states have already taken action. Just yesterday, Massachusetts actually proposed going up to -- passed legislation going up to $11 an hour. That gets pretty close to where I proposed. Oregon, actually, would be the closest as well as Nevada to what I have already proposed.

At the same time, there are some higher wage states such as Virginia and New Hampshire that would see fairly substantial increases in their minimum compared to what I have proposed. What would this do in terms of poverty? Well, minimum wage is not specifically an anti-poverty program. It’s a program to raise wages. However, important to note that target efficiency of the minimum wage, by which I mean, what is the connection between low wages and low family incomes, that has increased over time; over the last 10 years, for example.

And as a result, and more generally for that reason, I find that the best evidence suggests that the proposed increase, which is about on average 26 percent, and the minimum wage would tend to reduce the number of people in poverty by something between one and three million nationally, which is a non-trivial number. And when I give that range, that range is based on 16 models that subsume virtually everything that's been done in the literature except using more data.

And a final point on that is that while there are -- while there's a reduction in the number of people who are poor, by official standards, the head count poverty, there's actually an even larger impact on the severity and depth of poverty in terms of the poverty gap or squared poverty gap, and that's because the biggest impact on -- in income increase occurs sort of at the 10th or you know, 5th percentile of the family income distribution.

So, are all groups going to be equally affected? Not necessarily. I find, for example, that African Americans and Latino families are going to see a great anti-poverty effect from raising the minimum wage. At the same time, single mothers and younger adults, less so. So, it's going to be a mixed bag. And certainly, this will not be the policy to solve poverty, because it's only affecting workers. But at the same time, I think it can play an important role as part of the portfolio policy options in raising wages at the bottom.

MR. EDLEY: Let me just -- a quick follow up, and I hope this isn't too much of a curve ball. But given the discussion in the last panel, could you say a little something about your sense of the comparative policy effectiveness of the minimum wage, particularly with the possibility of regional variations, on the one hand, and the EITC?

MR. DUBE: Great question.

MR. EDLEY: Right.

MR. DUBE: Yeah, I think the EITC is a fantastic and really important policy, which along with food stamps, I think has been responsible for reductions in the supplemental poverty or more --

broader poverty measures.

Here are some reasons why I think in my proposal of policy options, or in my portfolio of policies, I would not put out 08 to minimum wage, because I think some important ways in which a wage standard can complement purely a tax and transfer policy. And there's sort of four types of reasons I would identify.

One is that the good news about EITC is that increases labor supply. And one of the consequences of that is that that can lead to a wage reduction at the bottom. A work by Jesse Rothstein at Berkeley finds that something around 27 cents on the dollar of EITC may be transmitted to employers as lower wages for some groups of workers. A minimum wage will tend to offset that.

A second rationale is that it turns out it's more costly to transfer money to poor people than rich people. Interesting new work by Nathan Hendron at Harvard suggests that for this reason, it's actually beneficial to have higher pretax earnings, because there are some costs associated with taxing rich people to transfer to poor people. And if you actually had pretax earnings being higher at the bottom, that would reduce or mitigate some of the necessity from a public finance perspective.

And finally, there are labor market imperfections in the lower wage labor market that I would submit to you are important enough that can provide an offset to some of the impact of minimum wages. And my time is up, and so I'll stop there.

MR. EDLEY: Why don't we get both proposals out on the table before we turn to our respondents, if you will. So, Madam Commissioner, Katharine, I've got to say it's -- she has a marvelous proposal, a fascinating proposal about job-sharing as an alternative to lay-offs, and using unemployment insurance payments to offset the reduction in hours worked.

You point to the experience in other countries; other countries like Germany and Belgium and Rhode Island as being models, or at least instructive examples. And could you say about both economically, but also, in a socio-political sense, how realistic it is to think that the United States could really move in the direction of those strange and foreign places?

MS. ABRAHAM: Thank you. I think it’s really quite realistic. I mean, I don't know how far we’d get, but I think it’s very realistic to think that we could increase the use of work-sharing in the United States significantly. I think that partly because there are a lot of advantages of work-sharing, both for employers and for employees. For those of you who are not familiar with this, I should maybe just describe briefly what it is we're talking about.

MR. EDLEY: And I misspoke. I was saying job-sharing, which is a very different concept. It’s work-sharing.

MS. ABRAHAM: Right. So, every state in the U.S. has an unemployment insurance system, and if people get laid off, they can college benefits under the unemployment insurance system. What work-sharing is about is letting people whose employers reduce their hours, collect partial unemployment benefits.

So, an employer who needs to cut down on their labor costs because demand is temporarily low would have the option of, instead of laying off 20 percent of the employees at the place of work, of instead, cutting back the hours of the workers from five days a week to four days a week. They'd pay them 80 percent of what they'd been being paid, and then, those employees would collect a pro-rated share of their unemployment insurance benefits.

So that's the idea. I think that's clearly advantageous for workers as a group. We know that the costs of getting laid off from your job are really high. They can be very persistent. It can affect not just the workers, but their children, their families. I think there are advantages to doing this for employers, as well. It's disruptive to lay people off, and then if demand picks back up, then you have to hire and train. That can be expensive.

So, I think there's a lot of advantages, and that makes me think that it is realistic to believe that we could end up with substantially more use of work-sharing than we have now. So, the obvious question would be, if it’s so advantageous for everyone, why don't we see more use of it now? And I think there’s a number of reasons for that. One is that, you know, it’s very easy in this country to lay people off.

MR. EDLEY: Mm-hmm.

MS. ABRAHAM: And the costs are often quite low. We have experience rating and the unemployment insurance system, but it’s highly imperfect. So, it’s easy and low cost to lay people off. In a lot of states, there has not been a work-sharing option.

Headed into the recession, there were 17 states that had work-sharing programs on their books. The rest did not. And even in the states that had work-sharing programs, the awareness that they were available was generally very low. And in some cases, even if employers found out about the programs and were interested in them, the way that many of the state laws were written was quite restrictive, so the employers might not be eligible or they may face higher tax rates if they chose work-sharing rather than lay-offs, and the process was somewhat cumbersome.

So, I think there are good reasons why we haven't seen more of it. As you said, Rhode Island is kind of an outlier. In the state of Rhode Island, the use of work-sharing has been much higher than in other states. And that's, I think, because in Rhode Island, there have been people there who were really believers in the idea that work-sharing might be a good option for employers.

They did a lot to promote it. They did a lot to make it easier for employers to use the program. So that makes optimistic.

SPEAKER: Communists. Communists.

(Simultaneous discussion)

SPEAKER: Senator Reid, also.

MS. ABRAHAM: Senator Reid. Senator Jack Reid has been really instrumental in this, but also, folks in the state agency that have been big advocates.

MR. EDLEY: Yeah, interesting.

MS. ABRAHAM: So, that makes me think that if you make people aware of the program, that more of the will use it. We took some steps in 2012 in the Middle Class Tax Relief and Job Creation Act to encourage more states to adopt work-sharing programs and to put a little money into their administration of these programs.

And actually, we've seen more states moving in the direction of implementing these programs. The numbers in our paper are actually now wrong. Two more states have passed work-sharing laws since we wrote the paper, so there are currently 28 states plus the District of Columbia that have these laws on their books at the moment.

But I think there is more that we could to promote the use of work-sharing. You know, we could require all states to have work-sharing as part of their unemployment insurance laws. We could prohibit some of the restrictive provisions that limit use. We could fund them to actually administer and promote the program, and we could -- maybe the most important thing we could do is when we -- if we -- when we head into another economic downturn, we could put some federal dollars into supporting work-sharing so that people don't get laid off, and then we end up having to spend federal dollars to support extended unemployment benefits.

MR. EDLEY: So, just a quick follow up. If I can push you a little bit on this, from the perspective of -- I guess two issues. One is, are there any dangers that this would be gamed by employers? I mean, let’s say I just need to fatten my bottom line a little bit this quarter. So, I pretend to lay off people, but basically, cut my payroll and unemployment insurance to back fill. But it reduces my labor costs.

Is there any risk of that? And then, the complementary issue that struck me is, you say it’s good for labor. It’s certainly good for people who would otherwise be laid off.

MS. ABRAHAM: Right.

MR. EDLEY: But if you, for example, look at the position of somebody who by contract is in a LIFO, Last In, First Out kind of lay-off structure, a union contract or public employees or something like that, they probably feel pretty safe from lay-offs.

MS. ABRAHAM: Right.

MR. EDLEY: But now, you're going to impose some burden them, and the unemployment insurance that they get isn’t going to be a hundred percent wage replacement level. So, is it really good for all workers used socially -- in the way in which this would socialize the risk of being laid off?

MS. ABRAHAM: So, you’ve really asked two questions. First, you were asking about the potential for employers to game the system with this. I guess I'm not super worried about that. You could have the same thing with regular unemployment insurance.

MR. EDLEY: Okay.

MS. ABRAHAM: We could talk more about that, but that’s not high on my list of things I'd be concerned about with this.

MR. EDLEY: Although with the kind of gaming I was talking about, I'd get to keep the workers and their labor output. Right? I'm just not paying for a hundred percent of it.

MS. ABRAHAM: Well, I mean, you could also pretend that they weren’t working for you and collude --

MR. EDLEY: Okay, okay.

MS. ABRAHAM: You’d have to collude with your whole work force in order to do this.

MR. EDLEY: Right.

MS. ABRAHAM: So, I think it might be hard to pull off.

MR. EDLEY: Right. Okay.

MS. ABRAHAM: The other question you raise is, you know, whose interest is this really in? And if you're you know, in one of that ever smaller number of workplaces that has a strong union and you know, a strong last in, first out employment practice, if you're a senior person, this might be less good for you.

I guess I would respond in two ways to that. You know? One is that I guess I am implicitly making a value judgment here that it's worse for workers as a group to have a subset of them who are thrown out of work, and you know, really then at risk of becoming disconnected from the labor market. But the other thing that I would note is that in firms that have proposed this to their workers and have you know, explained to them, it's you know, either do this or lay people off, people have generally been pretty supportive.

Work-sharing is not something that is intended to be permanent. It's something that's intended to help a company get through short-term reductions in demand. And I think you know, on balance, I think it would be accepted well.

MR. EDLEY: Okay. Well, let me turn to Greg and to Jared and get them into the conversation. Well, I guess if I called Katharine Madam

Commissioner, I have to call you guys Mr. Advisor or something. Something like that.

But Greg, let me ask for your general reactions to these two proposals.

MR. MANKIW: Sure. There's elements in both proposals that I like. Let me start with the minimum wage and put it in the broader context. When you think about the minimum wage, you have to think about it in terms of the broader social safety net. And I think I come to somewhat of a conclusion. I actually view the EITC as a far, far better tool as an anti-poverty program than the minimum wage.

The minimum wage sets wages at non equilibrium levels. There's an excess supply of labor. The market probably doesn't ration the jobs efficiently. So, I see the minimum wage as particularly distortionary. I also see it as particularly poorly targeted. I mean, there are some statistics in the paper that you can see the glass as either half full or half empty.

I think one of them was something like half of the benefits of the minimum wage go to people who are less than twice the poverty line. I think that was the number cited from CBO. That means that half of it’s not. And if I told you that I had a program that half of it is not going to the people that it’s supposed to be going to, that would be a pretty poorly targeted program.

You know, my first job was a minimum wage. I was from a solidly middle class family. The government didn’t need to help my family out. But the other thing is, too, in thinking of targeting, who is paying for it? We don't -- not much literature tends to focus less on this. So, there’s benefits to the minimum wage worker, but who’s paying for it? It’s also the firms, and then ultimately, the customers of the minimum wage businesses who are paying for this.

Who are they? Well, go into your typically fast food restaurant that’s paying minimum wages. Look around at the customers and say, who are these customers? My guess is you're not going to see a lot of private equity guys and hedge fund managers in there. It’s typically the middle income to lower middle income families who are paying for these minimum wages.

So, I view this as poorly targeted from both sides. So, if I had my druthers, in a perfect world, I would see it as a substantial expansion to the EITC, along the lines we talked about in the last session, and a complete elimination of all minimum wages, because the EITC is just a better remedy. And I feel that it’s a little bit like --

MR. EDLEY: It’s important to have disagreements on these panels.

MR. MANKIW: You know, the minimum wage started in 1938, but the EITC was much later. But you know, in medicine, when we get a new drug, we stop taking the old drug. In social policy, we just keep taking 18 more drugs. And so, I would go to a very different direction.

But in other words, if we're going to have a minimum wage, it certainly makes sense to pay attention to local conditions. I mean, as you can see, it’s clear to the extent -- supposedly you want to have a minimum wage, and that -- a worldwide minimum wage. That would be kind of crazy, because a minimum wage (Inaudible) of the United States would be devastating to a developing country, and anything that was appropriate for a developing country would be meaningless in the United States.

And you know, Mississippi versus Massachusetts is not quite as big a difference, but it’s the same kind of thing. So, the idea that one size fits all is not right is clearly correct. I agree with that a hundred percent. But of course, it’s an old idea, the idea that federal policy -- that it shouldn’t necessarily be one size fits all. It goes back to this idea of federalism. And that’s why we should maybe let some things happen at the state level.

So, maybe one implication of your argument would be you know, we really shouldn’t -- in order to -- to local conditions, let the federal government get out of this minimum wage business and leave it up to the states entirely. And my guess is you could sell my Republican friends in Congress if you want to pitch it in that way, rather than the way you pitched it.

Okay. Work-sharing. I actually think work-sharing is a good idea. I really like that a lot. It makes you think about employers and employees that come up with optimal arrangements in the midst of an economic downturn, it may well be that work-sharing is an optimal arrangement between employers and employees.

There's a different way to sell this. The way the paper sells it is, well you know, work-sharing has really worked in a lot of Western Europe. I think we should sort of emulate Western Europe. I mean, that's not my -- my Republican friends in the House are not going to convinced by that argument.

MS. ABRAHAM: Yeah.

MR. MANKIW: That we need a labor market that's more like Western Europe. But there is another way to sell this, which would be you know, on behalf of public policies that have tilted the playing field in favor of lay-offs against work-sharing.

MS. ABRAHAM: Yes.

MR. MANKIW: So, interfering with what private arrangements would be -- let's get the government out of this and let people deal with this privately by themselves. And so, I -- and I think that would be a great way to sell this, is saying look, we want to simplify this so that the government is not interfering with optimal arrangements between employers and employees. And I think that is pretty compelling.

Now, there is a lot of discussion here of marketing of this. So, we need to market these things better. And when I was reading about that, I immediately thought about my iPhone. I recently switched -- when I worked in Washington, I got hooked on a blackberry, and I only recently got rid of that addiction just a few weeks ago, and I switched to an iPhone. Now, how many hours do you think I spent reading the owner's manual that came with my iPhone?

(Laughter)

SPEAKER: Zero.

MR. MANKIW: Zero.

MS. ABRAHAM: Zero.

MR. MANKIW: They don't even come with an owner's manual, as far as I can recall. So, you pick it up and you basically start using it. And if you read the biography that Walter Isaacson did of Steve Jobs, they spent a lot of time designing this to make it idiot proof; to make it so simply that a child could pick it up and start using it without any instructions. Literally, children they were testing this on.

MR. EDLEY: Economists, too.

(Laughter)

MR. MANKIW: It was harder for me than my kids. No question about that. There's no question. Now, social policy often doesn't have that imperative. Trying to make this idiot proof, trying to make things really simple -- the problem is that all these social policies are written by people in this room who love thinking about the details of rules and regulations, but these are used by people who really don't enjoy their rules and regulations, and as a result, they just kind of ignore them.

And so, I think marketing this and saying -- is one thing, but I think when we design the policies, we need to design these really, really simple --

MS. ABRAHAM: Absolutely.

MR. MANKIW: -- so that you don't need an owner’s manual, or a very short one in order to start using these programs. I’ll stop there.

MS. ABRAHAM: That’s a great question.

MR. EDLEY: Jared, what do you think we ought to do? I mean, besides get Greg a better set of friends.

MR. BERNSTEIN: That would definitely solve a lot. He’d probably be happier, too. Well, I don't want to take my time to argue with Greg’s scurrilous attack on the minimum wage other than to say I do have some strong differences that I think are backed by lots of empirical analysis.

So for example, I think it was implicit in

Greg’s comments about how bad the minimum wage is for employment that all of the incidents fall through prices. And in fact, there’s very compelling evidence that that’s far from the case, and that the price impacts are there, not zero. Same with the employment impacts. I don't think they're zero, although as Arin suggested, smaller moderate increases may get you awfully close to zero.

But the incidence of the minimum wage appears to be absorbed through prices, through profits, through productivity. And all of those play a role. In fact, Arin, in his paper, stresses the role played by lower turnover, which if you think about it is a very positive way to absorb a minimum wage increase. So, I would really push Greg to think more about the complementarities between the minimum wage and the EITC, particularly from this perspective of the labor supply issue or problem Arin raised in his comments.

Now, let me say a little bit about the two policies, because I think they're really unique and important in the context of this conference in the following way. A lot of what we've heard, and I think you know, I would endorse a ton of it; I think there were many great ideas that paraded across this stage, call for federal action of the type that is pretty far fetched in the current climate, where gridlock prevails, and if anything, seems to be getting worse before it gets better.

That doesn't mean that projects like Hamilton shouldn't do what they're doing. Of course they should. But we have to acknowledge what a long runway anything that depends on a federal action that's at all progressive counts on, or even at all, you know, anything. Progressive or whatever.

There was a good article recently in the paper about a policy -- it was a port. It was an infrastructure project, a port in some city that both sides agreed on. They all said, we should do this, and they still couldn't do it. So you know, we have a real problem, as I'm sure everyone here knows. So to me, the sweet spot for poverty policy right now meets two criteria.

One is that the solutions are non federal. They can be accomplished at the sub federal, at the state of sub state level, and two, they are either costless from a budgetary or fiscal perspective, or kind of close to it. And actually, both of these policies, though Katharine’s can juice up the cost a little with some of her recommendations, but minimal, by the way. We're talking millions, not -- you know, maybe tens or hundreds of millions, but not billions.

Both of these have that characteristic. Arin’s proposal has very few costs outside of any workers that would be affected on public payroll than perhaps some fiscal benefits from taxes on higher earnings. And Katharine, if you read her paper, she actually -- she and Sue Houseman make a number of suggestions that would have budgetary implications, but I think they're pretty minimal.

There’s one that she mentioned, experience rating lower -- they proposed lowering the federal unemployment tax to participating employers, so that means there’s some revenues foregone. But that seems actually like a smart idea, when you think about the tilt in experience rating that I thought of course, is a very good question about aren’t we sort of tilted towards -- and Greg made this point, as well, are we tilted towards lay-offs right now.

So, I think the idea of reducing the penalty on the food attacks for work-sharing versus lay-offs makes a ton of sense, because it’s not a lay-off. In fact, you're avoiding laying someone off. And they suggest federal funding to cover half of the benefits paid under work-sharing programs should be triggered when extended benefits are triggered. So that’s another cost. And a few other things that I won't go into. You can look in the paper. But these are minimal costs.

So, I think that those two factors, non federal, minimal costs really recommend these policies relative -- in terms of possibility of implementation and plausibility relative to a lot of what we heard. And that doesn’t make them better or more effective, but it does have them -- more implementation potential, and I think that’s great. If I have time, I want to just offer two criticisms or things to be mindful of.

MR. EDLEY: Don't do that.

MR. BERNSTEIN: What’s that?

MR. EDLEY: No, I'm sorry. Go ahead.

MR. BERNSTEIN: You know, it’s really -- one has to wrack one’s brain, I think, to find anything not to like about work-sharing. And in this sense, I very much agree with the thrust of Katharine and Sue’s paper and Katharine’s comments today, which is, I don't know if it’s marketing or selling. I totally agree with Greg’s points on simplicity, but there’s a box on there in what Rhode Island did, and if everybody did what Rhode Island did, I'm convinced that this would be much more used. I think it really is an informational problem, a networking deficiency and so on.

There are two things to be mindful of about work-sharing that you may worry a little bit about.

One is that it’s important to recognize that while work-sharing does keep the unemployment rate lower than it will otherwise be, which I think is a great thing, work-sharing doesn’t obviously create new demand. Work-sharing spreads around what -- the weak demand that there is.

I don't know if it’s that much of a critique, but it’s important to recognize, I think, that you know, you're keeping the unemployment rate lower, but you're really not creating new demand. You're just distributing the negative demand shock more broadly.

MR. EDLEY: And in that sense, it really is safety net-ish.

MR. BERNSTEIN: Yeah. And then second, this one is really deep and gnarly. You need somebody like Greg Mankiw to tell me if I'm right about this. But I wonder if, among those of us who are very mindful of the important multiplier effects of safety net programs, unemployment insurance ranks very high.

And the reason it ranks very high is because unemployed people lose their job. They get laid off when you're not doing work-sharing, and they get a check that replaces something like half their earnings. They go out and spend it. And that's why it has such a high multiplier. If you look at Mark Zandi's estimates, it's well above 1.5, which is strong.

One wonders if work-sharing would have a dampen multiplier effect relative to the lay-off style, having to do with the fact that you're not taking somebody's weekly salary, you know, down to one half of what it was. The change is more at the margin. So, I just wonder if that would dampen the multiplier effect a small bit.

And then, on Arin's policy suggestion, you know, the only critique I really have is that this sort of -- and he said it himself, this is kind of happening anyway. A bunch of states are doing this sort of thing, and I think his paper's most important contribution is that it provides a really useful guideline for them when they're thinking of where to set the levels. Because I’ve been in these discussions, and it’s pretty arbitrary.

And so I very much like where he’s taking this. I think if economics has something to contribute, it’s not this age old argument that Greg and I were starting to have. It’s bad, it’s good. I cite my papers. You cite your papers. It’s more, economists really ought to be thinking about the kind of thing Arin is thinking about, how can we set the levels and implement those most effectively to diminish any of the negative incentives and build up the --

But the problem is, I think of it in the south, but I think that’s kind of prejudicial -- I think of the places that are just not going to change their minimum wage. They never have, and you know, it’s sort of unlikely that they will. They are under the federal minimum wage. And so, we can't forget the importance of that policy, as well, because as smart as we are about trying to gauge this and calibrate the parameters, as Arin has done, there are a number of states that will just -- they just won't go there.

MR. EDLEY: Katharine and Arin, can you guys just straighten these two out? Katharine, start with you, please.

MS. ABRAHAM: No, I don't think I disagree with anything that Greg said. The point that you raised, Jared, about what switching away from lay-offs towards work-sharing would do to the unemployment insurance multiplier is a really interesting one.

MR. EDLEY: Yeah.

MS. ABRAHAM: And as a data person, I guess I would say it’s ultimately an empirical question. It’s not obvious to me that there would be a big difference. If you compare these two scenarios, in the lay-off scenario, it’s true, you know, the people who are getting the unemployment insurance benefits are probably going to be spending all of that money.

But on the other hand, if one of the people who didn’t get laid off and I'm looking at, you know, my colleagues who did and feeling more insecure about what my job situation is, I might start cutting back on my spending, whereas in the work-sharing scenario, I wouldn't necessarily expect that to be true. So, I think it's a really interesting question, and it would be good to have evidence on it, but I think it's not obvious which way it would go.

Maybe if -- while I have the floor, there was one point that I wanted to get out at some point. You might have been wondering why we were having a panel on you know, minimum wages and work-sharing and you know, how those are related. And the comment that I wanted to make is that I actually think that work-sharing as we have proposed it, is in many ways, complementary to a lot of the things that other authors have proposed over the course of these two days.

If you have more apprenticeship programs and more you know -- a better educated and trained workforce, generally, maybe if you have higher minimum wages and that leads employers to invest more in their workers to make them more productive -- you know, in that scenario, I would think that you know, that would be another thing that would boost interest in work-sharing. Because if you got better qualified workers, you're not going to want to lose them, and that would increase, I would think, employer interest in doing this.

MR. EDLEY: And of course, the best anti-poverty program is work.

MS. ABRAHAM: Is having a job.

MR. EDLEY: Right.

MS. ABRAHAM: Yeah.

MR. EDLEY: Having a job. Arin?

MR. DUBE: Yeah, so I think just building off on that, I think you know, we can sort of make statements based on our priors about the nature of the labor market, but I think it’s important to look at the evidence. And that’s what you know, I’ve tried to do in my own research on minimum wages. Instead of just sort of saying supply, demand, equilibrium, distortion, to look at actually what happens.

And you know, what I have found is in the range of minimum wages between say, 35 to 55 percent of the median, which is where most of the variation comes from, there is not much indication of job loss when you actually use the sort of -- I would argue, a credible research design.

And you know, at the same time, there are suggestions that by the time you get to 55 or a little higher, recent work that I have done suggested there may by some more negative job losses. It’s hard to know, because we don't really have as much information on that range. But given the risk, that’s why I stopped around 50, as opposed to saying 60 or higher.

Interestingly, one reading of my paper here is to look at the component I didn’t really get a chance to talk as much about, which is about cities. Cities, starting with San Francisco -- actually, with D.C., which had a dollar above the federal minimum even in the ‘90s, and then San Francisco became the first city to have a substantially higher minimum wage than the state.

Now, we have really seen, as I said, 10 cities that have enacted minimum wages, including

Seattle going up to $15 an hour in a number of years. In today's dollar, it would be actually about $14 an hour, which is much higher than other ranges. So, I think an interesting question, where is that in terms of you know, how binding is that? How should we think about those kind of citywide policies?

Now, for the range that we have studied, including San Francisco, comparing cities to their immediate adjacent neighbors or to some construction of a data driven control group, we haven't found much impact on high impact sectors such as restaurants or retail, in terms of jobs. We have found substantial reductions in turnover, which connects to the point where if this does increase, for example, incentives to provide some kind of job-based training, et cetera, I think those kind of productivity gains are a partial offset.

That's not to say that this increases profits, but it provides an offset maybe to the tune of 15 to 20 percent of the labor cost, is my best guess. But, how should we think about citywide policies when you have much larger differentials? And I think there, we have to be careful. I think one of the things you probably avoid is having a really big cliff where you have an integrate labor market, and one part of the labor market has $15 an hour, and the other part has $10 an hour. I would imagine that would lead to substitution across areas.

Now, we don't yet have that evidence, but Seattle is providing that for us. And so as economists, we should all say thank you. But you can avoid some of that. And it’s encouraging to see, for example, in D.C., as well as increasing in the San Francisco bay area, outlying cities and towns which are considering increasing their minimums, maybe not quite as much as the central part of the MSA.

So, you create some kind of a gradient which is fairly correlated with the earnings, and hence, the bite. It’s hard to know how many places we’ll be able to coordinate. I'm more hopeful about coordination at the city at the metro level than I would be across states, for example. I think that’s just a lot harder. But I think that’s a useful thing to keep in mind.

Another related thing to keep in mind is sort of, if you look at the list of where the target half median wage comes out to be, I showed it for 20 top cities. And you compare that with the states, you’ll find many of those cities, even if you could set a citywide regional -- a citywide wage, you wouldn’t want to, because the state and the city are pretty close to each other.

I’ll give you a couple of examples. L.A. and San Diego and California as a whole actually would have fairly similar levels. Right? So, just because you can doesn’t mean you should. My guess is, something around 10 or so cities where you would potentially want to set a wage substantially higher, because they're just higher wage, higher cost of living areas compared to the rest of the state, and it makes some sense, potentially even for the state itself in setting statewide wages to have a difference.

For example, you know, Maryland was considering that, to have some kind of a city premium. So, I think it’s important to take from what I have done, both where things should increase versus where things make less sense to increase. And I think you know and when -- and really, what I have in mind for larger metro areas as opposed to say, for example, the town of Amherst, where I work, setting us much higher than state minimum wage probably doesn’t make a whole lot of sense.

So again, I think the goal here is to think about the optimal geographic units based on a number of characteristics I have tried to provide in thinking about wage setting, and the inter-relationships between areas and thinking about that.

MR. EDLEY: Well, just on that last point, I mean, I’ve spent most of my adult life living in Cambridge, Massachusetts and Berkeley, California. I don't know about Amherst, but the City Councils in those two cities -- how do I say this?

SPEAKER: The people there are (Inaudible).

MR. EDLEY: Yeah, right. And let me say that they make public policy in an evidence free zone. Luminous values, but not good on arithmetic. So, I do think that what you're suggesting about the regional variation and so forth, makes some sense, but I do wonder whether there are limits on -- whether there is some risk of important labor market distortions, if there’s too much variation in the minimum wage.

And while I can, let me also put on the table for your response -- I have an interesting question here about the relationship between minimum wage policy and the living wage campaigns that we’ve seen in various places around the country.

MR. BERNSTEIN: Can I respond to one of those things?

MR. EDLEY: Sure.

MR. BERNSTEIN: Just one quick point. There’s a very good question as to why the kind of textbook econ 101 minimum wage impacts, which really are -- raise the minimum wage a little tiny bit, and tons of people should lose their jobs, never seem to happen. And one reason seems to be that the political process is actually pretty different than you described. Now, I’ve never lived in either of those places, so I'm not saying you're wrong. But --

MR. EDLEY: They're kind of like Rhode Island.

MR. BERNSTEIN: Yeah. Well, I like Rhode Island.

MR. EDLEY: Very European. Very European.

MR. BERNSTEIN: Somehow, the political process has typically managed to set minimum wages at levels that generate the kind of empirical evidence that Arin was describing and that he’s done himself. So interestingly, that problem really hasn’t surfaced in an obvious way. One reason Seattle is so interesting is because that’s one of the first times in my experience of tracking this for decades that you are seeing the setting of a minimum wage that’s, you know, fairly outside of sample.

MR. EDLEY: Greg?

MR. MANKIW: Can I take up for textbook

economics?

MR. DUBE: I don't think it’s quite right to say that textbooks say that a little increase in the minimum wage is going to cause tons of people to lose their jobs. It all depends on the demand curve and how elastic the demand curve is. And some of the studies that Arin and you have referred to, do find small employment effects, which are sometimes interpreted that the demand curve is relatively inelastic -- it’s more vertical than flat.

I should note that if that’s the case, that shifts in supply have huge effects on wages. So, if you're not worried about the employment effects in the minimum wage, you should be really worried about the employment effect of unskilled immigrants. Because then the shift in unemployment of unskilled immigrants is going to be a huge downward effect on unskilled Americans. So, those are the things that I think go hand in hand. Now, actually, I think --

(Simultaneous discussion)

MR. MANKIW: But I'm actually suspicious of a lot of these things, and the reason that I'm suspicious of a lot of these studies is that they tend to be short-run studies. They're looking at the change in employment the year before and the year after. And then I believe in the short run, it can be eaten by profits. But in the long run, it’s very different.

We know from the textbook economics again that long run elasticities tend to be different from short run elasticities. Firms enter and exit in the long run. They don't in the short run. So if you tell an industry you're going to have lower profit rates, they may do that for a year or two, but if that’s going to persist, they’ll eventually slowly capital exit that industry to other industries.

So, my sense is that the right elasticities are not the ones that are being estimated in this literature. They're the long run elasticities, not the short run elasticities that we typically have better estimates on.

MR. DUBE: So with all due respect, I think that’s just incorrect. In every work that I have done, I report estimates that are five plus years or longer, and that’s a pretty long time by most program evaluation standards. So, when I say that the estimate is you know, pretty close to zero, I'm not talking about the estimate that’s in -- you know, the quarter of or the year of. I'm talking about including fairly, I would say, medium run estimates.

Now of course, medium run estimates and longer run estimates are more imprecise by the fact that there’s just less variation. But nevertheless, I think it’s just flatly inaccurate to say that the literature has only looked at short-term effects. Maybe 15 years ago. I mean, the Carter and Kruger’s original work was looking at a one year effect, and that criticism was made 15 years ago. And the literature has moved on since then.

MR. MANKIW: So you're very worried about unskilled immigrants? You think unskilled immigrants is a big problem?

MR. DUBE: No, I think the second point is that your assumption that those two things would have to happen is exactly the problem with your model, which is that you think it's a competitive labor market. But if you actually take, even the kind of models that are used in macro economics nowadays, which have some notion of search frictions -- actually, that's an easy way to rationalize why you would not necessarily see the kind of effects of immigration versus minimum wage, that sometimes you know as the David Card puzzle, because he's worked on both of these literatures.

And the resolution to the David Card puzzle is that the labor market is not necessarily completely competitive, and if you have some notion of search frictions as well as you know, some wage setting power of employers, then actually increasing supply does not have to reduce wages in the same way that a minimum wage may not actually lead to a large job loss.

MR. EDLEY: Okay, so wait a minute. I have to intervene here, because I'm a lawyer.

SPEAKER: This isn't cross examination.

MR. EDLEY: And we have four distinguished economists here, and it's almost as much fun as my last dentist appointment. I have to ask you, is there no experiment, is there no researchy thing that you priests could do that would resolve this ridiculous, it's bad, it's good argument about the minimum wage that I've been hearing since I was three years old?

And seriously, this is not climate change where experiments are kind of complicated. Right? So there ought to be something --

MR. MANKIW: I mean, I can try --

MR. EDLEY: -- where people who call themselves social scientists --

MR. DUBE: All disagreements are not created equal. I mean, we disagreed 15 years ago and we disagree today. But those are not in the same footing. We have a lot better data, a lot better methods. And I think -- you know, I think the sort of he says, she says differences are -- it's just you know, yes, we disagree. And any kind of observational data is going to be hard to come up with credible control groups.

However, I would submit to you, we have much better evidence on that today than we did 15, 20 years ago. Do we agree? Not necessarily fully, but I think the economics profession has also come a long way. I think 20 years ago, 25 years ago, most economists would have actually said that yes, an increase in minimum wage will necessarily reduce by a noticeable amount -- not necessarily huge, but certainly noticeable amounts, employment prospects of low skilled workers.

However, today, you know, the IGM panel at the University of Chicago of 40 leading economists basically split equally on whether or not they think they would expect any sizeable job loss for low skilled workers. That's disagreement that is different from before, and as a result, plurality of economists actually supported increasing the minimum wage to $9 an hour. That's different. I think we have more evidence. I think we are learning from that, and I think we have a more nuanced view of the labor market today than we did 15 years ago.

MR. EDLEY: And I think it would be better to let lawyers make the decisions. Can we go back to the work-sharing issue again? There's a very interesting question here that I wanted to put to you, Katharine, about how these proposals -- a work-sharing idea would play out in jurisdictions that really have very low UI pay-outs where they've set the -- you know, they've capped it or the wage replacement ratios are really low.

Would you expect more or less uptake of these policies? Would they more or less important to actually institute in those kinds of jurisdictions? But anyway, just say something, if you will, about the differential impact around the country, given the differences in the U.S. systems.

MS. ABRAHAM: Yeah, that's a really interesting question, and I have to admit that we have not thought about that. You know. I guess the only context in which we've really thought about this is in the context of thinking about our proposal for subsidizing the work-sharing payments in periods when extended benefits would be kicking in.

And I would think that the impact of doing that would be bigger in jurisdictions where the cost of unemployment insurance benefits for employers is higher. So, I mean, I guess that would lead me to think that this would have more effect on employer behavior in jurisdictions where the benefits are higher.

MR. EDLEY: So, one of the questioners points that they think the AFLCIO has supported work-sharing since 1981 going back.

MS. ABRAHAM: Mm-hmm.

MR. EDLEY: Which makes me -- gives rise to the question of, I guess Rhode Island probably has one of the higher rates of private sector utilization, doesn't it?

MS. ABRAHAM: Yes, that's true.

MR. EDLEY: Maybe that's partly why the work-sharing has been popular there.

MS. ABRAHAM: Yes.

MR. EDLEY: This is not really a data question, but it’s almost -- thinking in market terms and the power of workers to contract, frequent contractors, as it were -- is there any concern that work-sharing would be something that’s not actually bargained for by the workers, but in a way, would it be imposed by employer whether or not workers want it?

MS. ABRAHAM: No.

MR. EDLEY: No?

MS. ABRAHAM: I mean, the way that this works would be different in a union workplace than in a non union workplace. And all of the state laws require that if there is a union in the workplace, that the union has to sign off on implementing a work-sharing plan.

MR. EDLEY: Mm-hmm. But at --

MS. ABRAHAM: So, it is something that they -- I don't know that they bargain, exactly, but they do have to sign off on it if the employer wants to do it. I mean, in a non union workplace, the employer can decide --

MR. EDLEY: Anything anyway. Right.

MS. ABRAHAM: -- unilaterally. Yeah.

MR. EDLEY: Right. Okay. If one -- here's another question. If you get rid of the minimum wage -- I guess this is to you, Greg --

MR. MANKIW: Okay.

MR. EDLEY: Right? Who will control the fairness issue? Well, that just gets back to markets.

MR. MANKIW: I mean, I think the thing that we ultimately care about is the after tax income and after transfer incomes of people, and that could be supplemented in a variety of ways. The minimum wage is one tool. And I think we have to think about the variety of tools we have at our disposal, and think of which tools are most effective at achieving our goals.

And my sense is that EITC is a much better tool. In fact, if you want something even better than the EITC, you can go back to an old George McGovern Milton Friedman proposal with demogrant of a full negative income tax, which is going to be more general than the EITC. So, that would be sort of my first thought.

MR. EDLEY: Okay, so now if we put three proposals -- three ideas on the table; the minimum wage, the EITC, the demogrant, which of those has the better effects in terms of labor force attachment?

MR. BERNSTEIN: Well, the EITC actually encourages people to be in the labor force. The demogrant is unconditional, so even if you're unemployed -- regardless of your condition, you just have to get the demogrant and it’s taxed away slowly as your income rises. Milton Friedman talked about this in Capitals of Freedom in the ‘60s, and George McGovern proposed it, not to a great political effect, in ’72. But the EITC -- if you want to get people in the workforce, I think the -- working, if that’s the goal, then I think the EITC is probably the way to go.

MR. EDLEY: But relative to the minimum wage for labor force attachment purposes?

MR. BERNSTEIN: I think so.

MR. EDLEY: Arin?

MR. DUBE: So, I think the fairness issue is really important, because as I said before, the minimum wage is not designed primarily as an anti-poverty program. That doesn't mean it doesn't have anti-poverty effects. But it really is best thought of as an issue of fairness. I actually think that Greg's notion of just desserts actually is relevant here.

I just think I part company in what is that just dessert, in that I think most Americans, in poll after poll, as well as experimental data, suggest they really believe that there should be some compensation level for an hour of work. So, that's a fairness notion. It's not tied to, necessarily, what the family income of the person is, but simply as a matter of, as a labor contract, what is fair compensation for an hour of work?

And there is actually a lot of evidence that people's notion of fairness actually is tied to something like what the median wage is in the labor market. So, I think there is a strong fairness basis for why over 70 percent of people typically in polls, suggest that they actually support raising the minimum wage. I think it, at the same time -- I think it is also the case that it increases post tax and transfer income, and it does so increasingly so.

And by the way, it doesn't just have to reduce poverty, because presumably our sort of -- you know, I'm not sure what social welfare function different people have, but it doesn't just continuously fall to zero, the weight on people after they you know, sort of cross the threshold of poverty level. So, most of the gains, the vast majority of the transfers from the minimum wage increases accrue to the bottom half of the distribution.

I think we have heard other people say, like this is a group, including up to the middle of the income distribution, that hasn't done you know, exactly very well in the last you know, 30 years. So, if, for example, a minimum wage increases the wage of someone who is at the 40th percentile of the family income distribution, I would be hard pressed to call that leakage.

So anyway, I think if we move away from the notion that this is only supposed to help those at the very bottom, who by the way, are helped quite substantially from the minimum wage, I think we would have a broader set of objectives that we would be optimizing over when thinking about the policy portfolio.

MR. BERNSTEIN: I just have a small point to add. Framing this as an issue of fairness is a fine thing to do, and I thought that exchange was a good one. But it’s also -- the way I think of it is more as a labor standard. So, this is part of the Fair Labor Standards Act.

We have labor standards. We have labor standards regarding child labor, regarding overtime, regarding safety in the workplace. If you got rid of the minimum wage, and Greg, I think you would agree with this, you're accepting the idea that the market would -- and you’ll note the scare quotes -- the market could drive low wage workers down to, I don't know, 90 cents an hour -- whatever it would. And you're okay with that. You'd make up the difference with the minimum -- with the EITC, which by the way, invokes massive redistribution in a way that I think departs from political reality.

But what Congress has said is, no, that is a standard that is abhorrent to us -- maybe this is more of a legal question -- at least my interpretation.

MR. EDLEY: Most things are, but go ahead.

MR. BERNSTEIN: You'll correct me if I have this wrong. My reading of the Fair Labor Standards Act and listening -- I have recently gone back and listened to the things that FDR and others were saying, is that no, we're not going to let wages be driven down to privation levels. We're going to put a floor below which wages can't fall. And one is to think of -- the fairness thing seems very subjective, but I think the idea that we, as a nation, embrace certain standards, and that's one of them, strikes me as more concrete.

MR. EDLEY: Yeah. Well, I was reading the Fair Labor Standards Act last night, and I would say that on the one hand, you have the argument that privation is a great incentive. But on the other hand, I think that actually that Greg's proposal that one just get rid of the federal minimum wage is about as politically likely as the massive EITC redistribution that one would need to offset it. So, let's not worry about that -- either of those things happening too much.

I kind of would like to reframe it in a different way that's suggested by one of the questioners. It's if we think of the minimum wage just as an anti-poverty policy, rather than a labor standards policy, which gets back so that it -- so that when you view what Seattle is doing, as is locally defined, derived anti-poverty policy in a context in which Seattle as a local government simply doesn't have the wherewithal to adopt tax and transfer policies.

So, like the Berkeley City Council, they're just trying to do the best they can for the folks that they're responsible for, with the tools available to them. And this imposes a burden on a bunch of private actors without having to use taxes. That seems to me what’s going on. Right? I mean, they're not labor market theorists there in Seattle. You know, they're probably no better than the people in Rhode Island.

I'm really getting myself in trouble. So, this -- I mean, actually what we're here talking about is poverty. Right? And so the political economy of this is, really, I want to do something about poverty, but what tools are available to me? And the answer is different for folks in Seattle than it is for folks on Capitol Hill -- the range of courses.

MR. MANKIW: Sure. But you know, one thing I disagree with what you said is without using taxes. You wouldn’t view a minimum wage as a particular kind of tax transfer policy. It’s a subsidy for people -- for low wage workers --

MR. EDLEY: Sure, sure.

MR. MANKIW: -- with a tax on people who hire low wage workers.

MR. EDLEY: Yeah, but it’s a tax with scare quotes.

MR. MANKIW: Yes.

MR. EDLEY: Right.

MR. MANKIW: But if you think about -- if you want to design an anti-poverty program, do we want to particularly tax people who are hiring low wage workers as part of this program? See, that's kind of a strange person to tax. Is that guy -- they have part of the solution, not part of the problem. So, that's one way I sort of view my discomfort with the minimum wage.

MR. EDLEY: Right, right.

MR. MANKIW: And you're actually right, that as a political matter, given how politically popular it is in polls, getting rid of the minimum wage is probably not a thing that's going to happen anytime soon. On the other hand, it used to be the case that rent control was quite a popular thing, after who loves landlords. But believe it or not, Massachusetts had a statewide referendum, maybe while you were still there -- getting rid of rent control on a statewide basis.

MR. EDLEY: Right.

MR. MANKIW: It’s a thing they realized yeah, this is not a particularly good way to help --

MR. EDLEY: That’s why I left and moved to Berkeley.

MR. MANKIW: Well, we're making our way out there. So, you're right. I mean, the idea of saying we're going to rely on these tools and not these tools is a sort of pie in the sky proposal for me. But you know, that’s the job of economists to keep these things on the table, even when they're not politically popular at this moment.

MR. EDLEY: Well, the witching hour has come. Are there any final thoughts from our two authors in particular? I want to give you the --

MS. ABRAHAM: No. I appreciate the chance to talk with this group about our proposal. But I think said what I wanted to say about it.

MR. DUBE: I just wanted to say it was fun.

MR. MANKIW: Yes, it was.

SPEAKER: That’s one word.

MR. EDLEY: Well, first, please join me in thanking our panelists (Applause) and then we’ll wrap --

(Discussion off the record)

MR. EDLEY: I was just handed the assignment of wrapping up the conference. So, thanks for coming. See you soon. I am -- I guess I drew this because I'm on the advisory board for the Hamilton Project.

I think this last day and a half has demonstrated quite powerfully and elegantly why the Hamilton Project has to be. And if anything, it needs to grow and expand and stretch its wings and all of those kinds of things, because bringing this kind of attention and this caliber of engagement to face the most difficult and pressing challenges the nation faces is exactly what we need more of.

We need more intellectual capital to bring to bear on these difficult problems. In an era of gridlock, in an era of fierce, debilitating and demoralizing partisanship, I think I'd make the argument that the need for this kind of intellectual capital is stronger than ever, because short of prayer and miracles and the assistance of the faith-based community, getting beyond the gridlock and the bitter partisanship is probably not going to happen without terrific ideas, rigorously developed, embraced with passion and advocated with luminous values.

None of that is possible without work of the sort that the Hamilton Project has been undertaking, and by your attending this event, by your engaged participation, by the buzz in the halls. You're doing a lot to validate that proposition. And for those of us how have been working with the Hamilton Project, your participation is a wonderful reward.

So, thank you very much for your attendance, for your support. Please stay tuned. More coming from the Hamilton Project on a station near you. Thank you, everyone. (Applause).

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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