

# A Just and Sustainable Recovery

Hunger 2010



**breadfortheworld**  
INSTITUTE

# FOREWORD

Brian Duss



Recovery from the financial crisis and recession has begun. But way down at the bottom of the world economy, it's hard to see the sun breaking through yet. More than a billion people suffer from hunger, an increase of more than a hundred million in two years. The number of people in extreme poverty

has also increased, reversing decades of progress. Global warming and growing global demand for food could lead to further increases in global hunger and poverty.

In the third quarter of 2009, the U.S. economy posted its first quarter of growth in two years. Yet the unemployment rate is higher than it's been in a quarter of a century. In church basements, food pantries haven't been able to restock their shelves quickly enough, and the number of people receiving government food assistance is at an all-time high.

At the same time, we have exceptional opportunities right now to change policies to provide help and opportunity to hungry and poor people. It's obvious to U.S. voters and political leaders that many families have been driven into poverty by factors beyond their control. As millions of Americans lost their jobs or saw their work hours reduced, both the Bush and Obama administrations worked with Congress to increase food assistance for people in need.

As we dig ourselves out of this recession, we have an opportunity to put in place policies that reduce inequality and invest in the potential of all Americans. Our nation and world will be different after this recession. The 2010 Hunger Report, *A Just and Sustainable Recovery*, lays out a strategy for economic recovery that will lead to sustained progress against hunger and poverty.

In 2010, there will be a huge debate about tax policy. Many provisions of the tax code will expire. This report argues for tax policies to provide low-income families with the same benefits that middle- and upper-income families receive. It also outlines pro-poor policies in the health, education, housing, and transportation sectors.

*A Just and Sustainable Recovery* focuses on the opportunity to create new and good jobs by tackling the loom-

ing crisis of climate change. The scientific community has reached a clear consensus that climate change is real and occurring at an alarming rate. Bread for the World Institute staff have traveled to areas of the world already affected by climate change, talking with smallholder farmers and researchers who are monitoring changes in weather patterns and crop production. Climate change is not a future threat in these places; it is unfolding in real time.

Continued progress against world hunger depends on aggressively confronting climate change. This report takes up greening the world economy and why this is a sound investment. Here in the United States, climate change can be managed in a way that is good for the economy and good for poor people by providing jobs in sectors that have been hammered during the recession.

It may be difficult to keep this in mind right now, but for most of the last half-century there has been slow, steady progress against hunger. Fifty years ago, one in three people in the world was chronically hungry. Today, despite the recent setback, the numbers are closer to one in seven. That's truly a remarkable achievement.

As a believer, I see this wonderful liberation from hunger and poverty as an experience of our loving God moving in our own history. I also know that people like Bread for the World members have helped by urging their members of Congress to support measures to reduce hunger and poverty in our country and worldwide.

President Obama's pledge to end child hunger in the United States by 2015 and his Global Hunger and Food Security Initiative are impressive early displays of his commitment to fight hunger. But the troubled economy and other problems pull our elected officials in ever shifting directions, so it will be up to us to help President Obama and Congress maintain a focus on reducing hunger and poverty.

This is a pivot point—a time to change history for hungry people.

Rev. David Beckmann

President,

*Bread for the World and Bread for the World Institute*



**The 2010 Hunger Report embraces  
the job-creating potential of greening  
the economy.**



# A Just and Sustainable Recovery

DAVID AND HIS WIFE LISA HAD NEVER DREAMED THEY WOULD BE relying on a food pantry to feed their four children and themselves. “This has taught me never to judge someone until you have walked in their shoes,” said Lisa.

As the economy began to unravel in 2007, the two college graduates found themselves with \$30,000 of business debts and no hope of holding onto the car and truck repair shop that they’d inherited from David’s parents. After they lost the business, David found a job briefly as a mechanic, but was laid off when the recession deepened. Months passed before he found a job fixing copiers. The drop in their income has been so severe that they still use the food pantry.

David, Lisa, and their kids live in northern Massachusetts.<sup>1</sup> Stories like theirs have been common around the country since the start of the recession. And like Lisa, many testify to the empathy they’ve experienced, walking in the shoes of the hungry.

“I’m a spiritual person, and I can only wonder why God has led me here,” said Michael Brown of Los Angeles, a mental health professional with a master’s degree, out of work for nearly a year when his story appeared in the *Los Angeles Times* in January 2009.<sup>2</sup> When there was nowhere else to turn, he and his 9-year-old daughter used the city’s emergency food system. “It’s humbling,” he said.



Rick Reinhard

## Recession, Recovery, Resilience

The title of the 2010 Hunger Report, *A Just and Sustainable Recovery*, leaves little room for doubt the worst recession in 75 years is the starting place. But this is a forward-looking report. As sure as day follows night, recovery comes after recession. A lot remains unclear as to how recovery will unfold, whether it will be just or sustainable. “Business as usual” would be neither. How the country recovers will be a de facto verdict on many of the actions that made this recession worse than it had to be.

In the long run, the greatest threat to a sustainable recovery may come from a looming crisis that we only now seem to be getting our minds around: global climate change. The actions that drove the economy into recession are in a sense magnified by the exploitation of this one, irreplaceable natural resource. “We created a way of raising standards of living that we can’t possibly pass on to our children,” remarked one analyst.<sup>3</sup> Continuing the reckless consumption of fossil fuels mirrors the actions of speculators who wrecked the economy by creating an unsustainable asset bubble.

Climate change is a huge challenge—and a huge economic opportunity. The 2010 Hunger Report embraces the job-creating potential of greening the economy, thereby creating the potential to reduce poverty. A green economy may mean different things to different people, but in this report we mean the transformation of the nation’s energy infrastructure from today’s heavy reliance on carbon-intensive fossil fuels to a much stronger embrace of clean, renewable forms of energy such as solar, wind, and geothermal. Creating a green economy also means investing in cost-effective strategies to boost energy efficiency, such as weatherizing homes and office buildings. In fact, this is the quickest way

to reduce the greenhouse gas emissions that are causing climate change.

Clean energy and energy efficiency can engage a sizeable share of the U.S. workforce for at least a generation and probably several. Public and private investments in greening the economy will ensure that the recovery is sustainable for years to come.

### A Just Recovery

A family’s path out of poverty has several key elements. A job is still the best anti-poverty program there is. But millions of families remain in poverty, or on the cusp of poverty, with a parent, or even two parents, working hard to earn a living. By strengthening the Earned Income Tax Credit, we can help low-income families keep more of their earnings.

Parents with jobs, good jobs, are how families achieve a lasting end to hunger. A just recovery should do more than merely replace lost jobs with new ones that continue the dismal trend of declining wages and increasing financial insecurity. The U.S. economy must produce more good jobs. This



Mark Fenton

A worker installs a solar roof on a home in the District of Columbia.



means jobs with wages sufficient to cover basic living expenses and the same kinds of benefits middle-income workers take for granted, such as affordable health insurance, paid sick leave, a retirement or savings plan, and opportunities for career advancement.

Green jobs offer low-wage workers career paths—and it is careers, more than jobs, which give people a sustainable hold on the middle class. “Green jobs” sound like something altogether new, but they are mostly jobs that already exist with some new skills added. A green roofer is like any other roofer, except that he has been trained to build roofs that are energy efficient. A manufacturer of solar cells is a green manufacturer in the sense that she is producing parts for the clean-energy industry, but it is still a manufacturing job.

Jobs are a family’s main source of income, but there are other building blocks of economic security: stable housing; savings for longer-term goals like buying a home or attending college; good neighborhood schools where children can get a quality education. These are all important assets that can spur intra and intergenerational mobility.

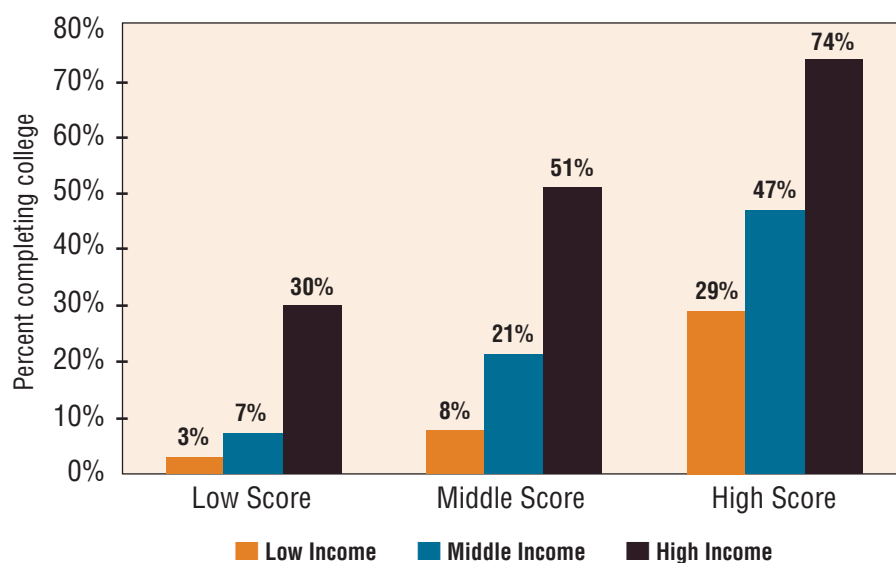
Over the course of a lifetime, the average college graduate earns a million dollars more than a high school graduate. But college completion rates among the best students from poor backgrounds pale in comparison to their peers from high-income

families.<sup>4</sup> Clearly, savings are an asset to help families pay for college. Government policies reward middle- and upper-income households with generous tax advantages to build savings, but do almost nothing to encourage low-income families to save. To receive government food assistance, even for a short period of time, families are forced to spend down savings.

For a generation of Americans following World War II, government policies did much more to promote economic mobility than they have in recent decades. Legislation like the G.I. Bill, for example, helped create millions of new middle-class families by making home loans and college scholarships available to returning war veterans. Such a transformative effort has not been attempted in decades.

At the top and bottom of the income scale—above the 90th percentile and below the 10th percentile—the odds are that children will end up in the same place as their parents.<sup>5</sup> At the top, parents get to pass on their wealth to their children, and that’s all well and good. The problem, of course, is the lack of opportunity for those born into the poorest 10 percent. No one’s future should be predetermined by his or her circumstances at birth. Low-income families need a better set of policies to help overcome disadvantages

Figure s.1 **College completion by income status and test scores**



Source: Fox, Connolly, and Snyder, 2005.

and clear the hurdles that keep them from getting out of poverty. *A Just and Sustainable Recovery* outlines how government policies can encourage and support low-income households that are doing their part.

Household conditions are one lens to use to understand how families end up in poverty. Too often it is the only lens. Hundreds of communities around

the country get stuck in poverty, and without the help they need to get unstuck. They may be communities without any jobs that pay a family-supporting wage or without transportation services to get people to where the better jobs are. They may lack other basic services, such as health care, banks, safe areas where children can play, and even grocery stores.

Solutions to “place-based poverty” require more than what is being done to help individual households. Indeed it is much harder to turn a community around than to provide benefits to a household.

The continued neglect of persis-

tently poor communities is of no small consequence to the children growing up there. Scholars from the Pew Research Center, drawing on decades of data, argue that the most significant factor in why poor children turn out to be poor adults is the poverty rate in the communities where they grow up. It carries more weight than a parent’s income, education, or marital status.<sup>6</sup>

While running for president, then-Senator Obama pledged to end child hunger in the United States by 2015. Since coming to the White House, he has recommitted to that goal. If we are serious about achieving the goal of ending child hunger, we have to address the liabilities and strengthen the assets in poor communities.

## A Sustainable Recovery

Ending child hunger in the United States is an achievable goal. As the president, Congress, and state and local policymakers lead the nation out of the worst recession since the 1930s, the time is right to rethink what defines real progress. Perhaps nothing shows us our society’s misplaced values as clearly as our acceptance of child hunger, conveying how indifferent we’ve become to the fate of future generations in a way that nothing else can.

A sustainable recovery in the United States will also depend to a significant degree on development in poor countries. No country has been spared the pain of this recession. Poor countries have suffered the worst because of their weak condition to begin with. In 2009, the number of people who were chronically hungry crossed the threshold of a billion, rising by more than a hundred million in a little over two years,<sup>7</sup> a stark way to quantify how much suffering the recession has caused.



Mark Fenton

A high-poverty neighborhood is defined as a census tract where at least 40 percent of the residents are in families living in poverty.

Climate change, perhaps more than any other challenge shared by the global community, illustrates how interconnected countries are. Emissions from coal plants in the United States and China contribute to the loss of farmland and sea level rise in Bangladesh. Cutting down forests in South America and Africa contribute to the severity of hurricanes in the Caribbean and Gulf of Mexico. Earth's atmosphere recognizes no country's borders.

Scientists agree that significant human contributions to climate change began with the advent of the Industrial Revolution in the 19<sup>th</sup> century.<sup>8</sup> Emissions from the countries that have benefited most since the start of industrialization—Western Europe and the United States—dwarf those of developing countries.

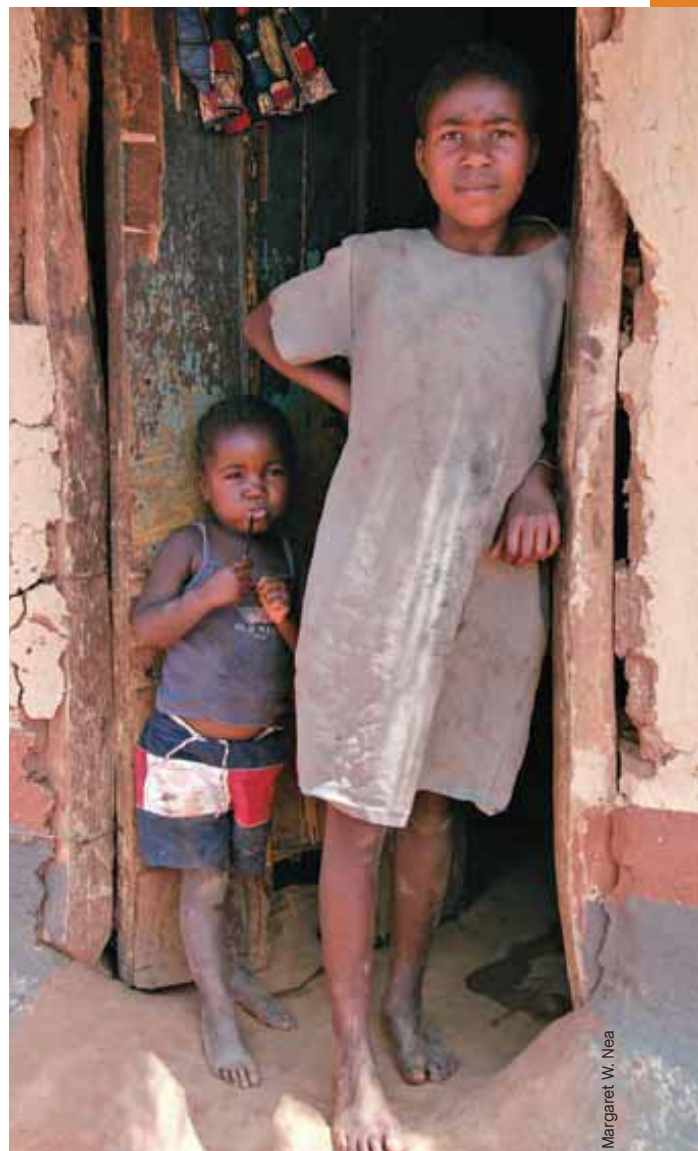
Climate change puts additional stress on already vulnerable developing countries. Sub-Saharan Africa and South Asia, by virtue of their size, population, and poverty, will likely be “ground zero” in a warming world, forced to deal with sea level rise, desertification, and the resulting displacement of populations. *A Just and Sustainable Recovery* addresses the responsibility of rich countries, including the United States, to help poor countries adapt to the effects of climate change that are already inevitable.

Development and adaptation can (and, many would argue, must) be addressed together. Some of the best adaptation is, in fact, economic growth that provides poor households and poor countries with the resources they need to adjust and cope with change. Funding for adaptation should be additional to Official Development Assistance (ODA). Development and adaptation must not be cast as competitors for the same pool of resources.

Rich countries also have a responsibility to share clean-energy technologies with poor countries. Greening one's own economy, while good in itself, does not begin to deal with an interconnected global crisis. Poor countries can't develop without energy, and we cannot realistically expect them to forestall development until renewable energy matures to become affordable for everyone.

This report stresses the mutual benefits of economic growth and reducing greenhouse gas emissions. Today, no country's future is secure unless all countries reduce dependence on fossil fuels and increase use of clean energy. Economic growth and reducing greenhouse gas emissions not only can occur simultaneously, they can reinforce each other, in much the same way that green jobs in the United States can provide productive employment and promote energy efficiency and economic growth.

The bottom line for gauging the success of the economic recovery is whether there is a significant reduction in the number of hungry and poor people in the United States and around the world. This report is intended to challenge all of us to think creatively and constructively about how economic recovery, climate change, and poverty can be addressed together—for the benefit of us all.



Margaret W. Nea

**Addressing the effects of climate change cannot be undertaken without addressing basic development as well.**



# MILESTONES IN CLIMATE CHANGE SCIENCE AND POLICY

**1800-1870** Carbon dioxide gas (CO<sub>2</sub>) in the atmosphere is about 290 parts per million (ppm). Mean global temperature (1850-1870) is about 13.6 degrees Celsius.

**1967-1968** Scientists Syukuro Manabe and Richard Wetherald develop a model which demonstrates that doubling CO<sub>2</sub> levels would raise world temperatures by 2 degrees Celsius. Later studies show that the collapse of Antarctic ice sheets as a result of global warming would raise sea levels catastrophically. Such a rise would displace more than a billion people and force the abandonment of many large cities, in particular port cities.

**1970** First Earth Day celebrated on April 22, 1970, organized by United States Senator, Gaylord Nelson (D-Wisconsin). Earth Day marked the emergence of environmentalism as a powerful, global social movement. One significant result in the United States is the creation of the National Oceanic and Atmospheric Administration (NOAA), one of the world's leading sponsors of climate research.

**1976-1979** Studies show that chlorofluorocarbons (CFCs), as well as methane and ozone, can increase global warming. In addition, deforestation and other ecosystem changes are shown to heavily impact global climate patterns. Further, researchers add that they are unable to find any natural mechanism that will counteract the global warming caused by the doubling of CO<sub>2</sub>.

**1981** Election of President Ronald Reagan provokes a backlash against environmentalism in the United States. Reagan pulls solar panels off the roof of the White House, installed there by his predecessor, Jimmy Carter. Political conservatism is linked to skepticism about global warming, even as 1981 is the warmest year on record.

**1987-1990** The Montreal Protocol is signed on September 16, 1987. It imposes international restrictions on emission of ozone-destroying gases, chiefly CFCs. Over the following decade the Protocol has wonderful success in reducing emissions of CFCs, staving off further deterioration of the ozone layer. Further, it brings net savings to the global economy.

The success of the Montreal Protocol is followed up in 1988 by the establishment of the Intergovernmental Panel on Climate Change (IPCC), composed not only of scientists but also official representatives of governments—people with strong links to national laboratories, meteorological offices, and science agencies like NASA.

To counteract the environmental movement, fossil-fuel and other U.S. industries form the Global Climate Coalition to tell politicians and the public that climate science is too uncertain to justify action.

**1992** The United Nations Conference on Environment and Development (UNCED), the first Earth Summit, is held on June 3-14, 1992, in Rio de Janeiro. The Summit results in the U.N. Framework Convention on Climate Change, but representatives from the United States block calls for serious action.



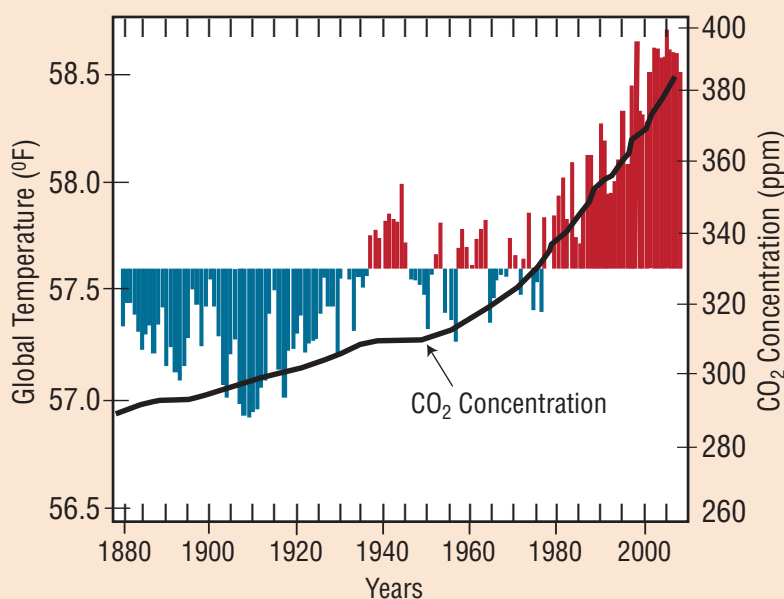
**Line represents 2000 years of CO<sub>2</sub> concentration in the earth's atmosphere.**

# MILESTONES IN CLIMATE CHANGE SCIENCE AND POLICY

## 1997

The 1997 U.N. Conference on Climate Change is held in Kyoto, Japan. Representatives of the United States propose that industrial countries gradually reduce their emissions to 1990 levels. Most wealthy governments, with Western European countries in the lead, demand more aggressive action. Coal-rich China and most other developing countries, however, demand exemption from the regulations until their economies catch up with the nations that have already industrialized. Vice President Al Gore flies to Kyoto on the last day and pushes through a compromise—the Kyoto Protocol. The agreement exempts poor countries for the time being, and pledges that wealthy countries will cut their emissions significantly by 2010.

### Global temperature and carbon dioxide



## 2001

IPCC report states boldly that global warming is occurring at an unprecedented rate since the end of the last ice age, and is “very likely” to accelerate with possibly severe consequences. The report effectively ends climate change debate among all but a few scientists.

A meeting in Bonn, Germany, meant as a follow up to Kyoto, develops mechanisms for working towards Kyoto targets. The United States does not participate at Bonn, indicating that it is not bound to the Kyoto Protocol.

## 2005

Kyoto treaty goes into effect, signed by all major industrial nations except the United States.

## 2007

IPCC report warns that the costs of reducing emissions would be far less than the damage the emissions will cause.

CO<sub>2</sub> in the atmosphere reaches 382 ppm. Mean global temperature (five-year average) is 14.5°C, the warmest in hundreds, perhaps thousands of years.

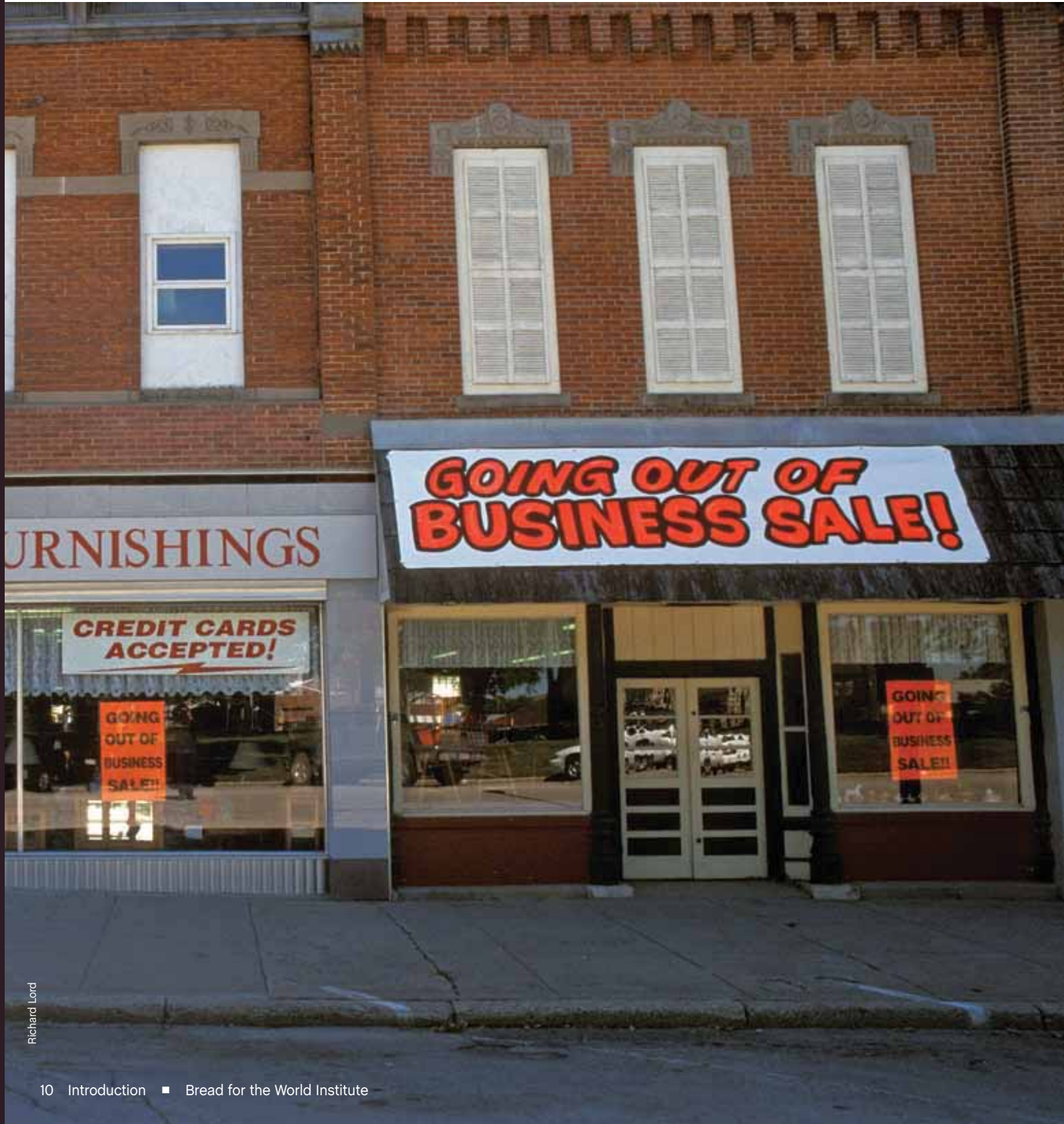
## 2009

In December, the latest U.N. Conference on Climate Change takes place in Copenhagen, Denmark. The goal is to adopt a new international climate agreement.

Source: American Institute of Physics



**Fixing the U.S. economy and fighting poverty and hunger are by no means separate goals.**



## Introduction

# Recession, Recovery and Resilience

IN SEPTEMBER 2008, THE U.S. ECONOMY WAS BROUGHT TO THE BRINK of collapse by the greed and recklessness of some of the largest firms on Wall Street. A deflated housing bubble exposed the astonishing risks these firms had taken, enabled by government policies and policymakers that encouraged any and all forms of financial innovation, without regard for the possible consequences to U.S. or global financial systems.

A catastrophic meltdown of the economy was averted by the extraordinary intervention of the federal government in the nation's financial markets, taking measures that would have seemed unthinkable in the heyday of the bubble years. But a government response was not enough to prevent an economy already in recession from spiraling further downward.

The crisis of 2008 led to comparisons with the financial crash on Wall Street that precipitated the Great Depression of the 1930s. Excessive risk taking was responsible for wrecking the economy then as well. But while there are similarities, there are also some clear differences, including the wider dimensions of what some have called our Great Recession.

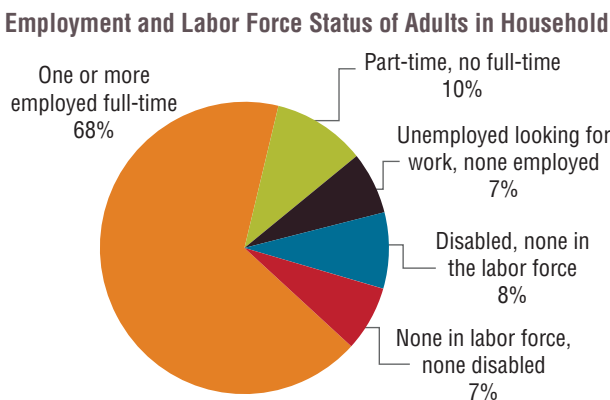
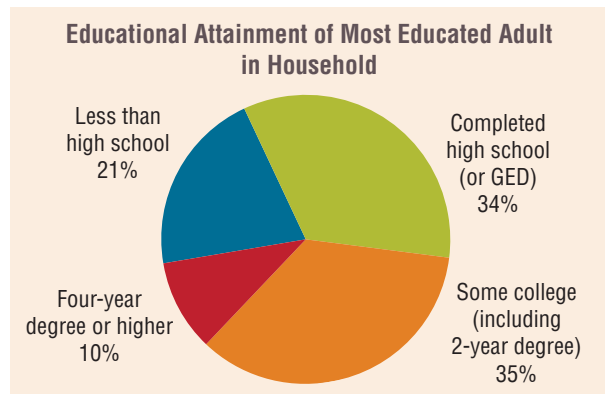
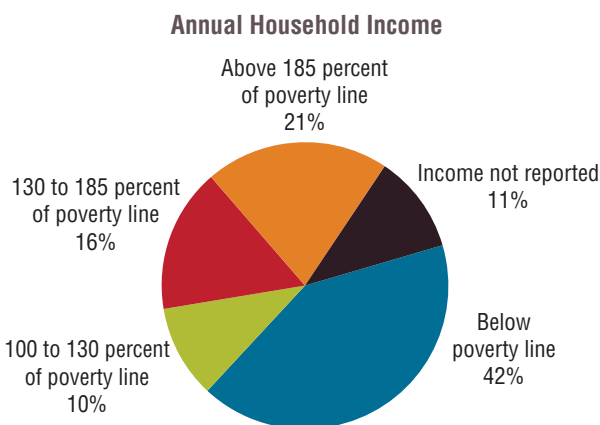
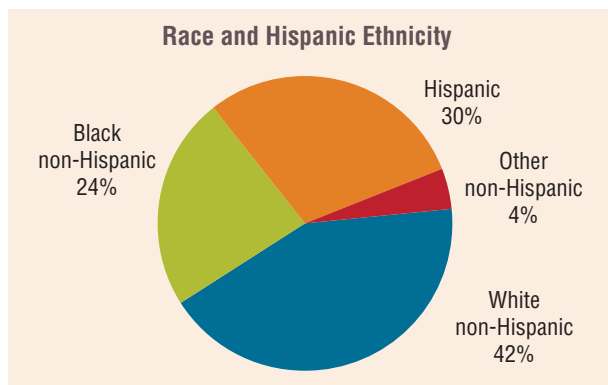
No country, rich or poor, is an island in the global economy. In this way, the world has changed dramatically since the Great Depression. The United States, for example, imports more manufactured goods from developing countries than it does from developed ones.<sup>1</sup> When demand for goods dries up in rich countries, workers in poor countries supplying those goods lose their jobs. The fragile economies of these countries are severely damaged, and poor people suffer most.



Rick Reinhard



Figure i.1 **Households with Food Insecurity Among Children, 2006-07 Average**



Source: Calculated by Economic Research Service using Current Population Survey Food Security Supplement data.

The election of Barack Obama as president is another example of how profoundly the United States has changed. In addition to being the first African American to occupy the White House, Obama is the first U.S. president to grow up in a family that had to rely temporarily on food stamps to get through tough times. He promised to bring change to Washington, and his election signaled that a majority of the country agreed that change is needed. While running for president, he pledged to end child hunger in the United States by 2015, and since taking office he has recommitted to that goal. Advocates for hungry and poor people are hoping that Obama will lead a bold assault on poverty and hunger in the United States and around the world, and will do so without delay. Fixing the U.S. economy and fighting poverty and hunger are by no means separate goals.

With the benefit of hindsight during these sobering economic times, we must recognize that real wealth isn't created by asset bubbles like the decade-long ballooning of the housing market. Many people simply should have known better. Home buyers ran up unsustainable levels of debt. Banks made loans to people who had almost no chance of being able to repay them. Investment banks securitized the bad loans and sold them to investors around the world. Investors purchased these securities without learning the risks. And policymakers in Washington legitimized all of this.

Real wealth isn't created by wild speculation and get-rich-quick schemes that saddle future generations with debt. Fortunately, real wealth is as available to us now as ever, despite some major challenges in the years ahead. The 2010 Hunger Report, *A Just and Sustainable Recovery*, presents a different vision of how to create wealth than the prevailing ethos of the bubble years. It's a vision that includes sustainable ways to reduce poverty and achieve broad-based economic growth.

## Where Do We Go From Here?

To prevent the recession from spiraling into a full-blown depression, the federal government used deficit spending to stimulate the economy and push it towards recovery. Deficit spending—meaning that the government is spending more money than it collects in tax revenue—falls well within the mainstream of economic theory on how to respond to recessions. In this case, it was needed to make up for a dramatic shortfall in demand as the economy contracted by 6.4 percent in the fourth quarter of 2008 and by 5.4 percent in the first quarter of 2009.<sup>2</sup> Contractions of this magnitude haven't been seen since the Great Depression.

In March 2009, the president and Congress passed the American Recovery and Reinvestment Act, pouring \$787 billion into the economy over the following couple of years. This was an unprecedented amount of federal stimulus during a recession, and it came at a time when the government was already running a budget deficit of \$455 billion.<sup>3</sup> The nation's top economists widely supported the stimulus package. Where they disagreed was on how much stimulus was needed and how the monies should be spent. Tax cuts? Spending on infrastructure? Expansions in unemployment insurance and nutrition programs? Dollar for dollar, spending on infrastructure and safety net programs stimulates a higher return on investment than tax cuts,<sup>4</sup> which led the president and Congress to choose to spend more on the former.

However, deficit spending is not a sustainable economic strategy. Governments, like households, have to eventually live within their means. The federal budget deficit reached \$1.4 trillion in 2009.<sup>5</sup> When adjusted for inflation, this is the largest percentage of Gross Domestic Product (GDP) since World War II. In a recession, the immediate concern of policymakers is to stabilize the economy and reduce the suffering caused by job losses. With the unemployment rate projected to remain above 10 percent through 2010,<sup>6</sup> government spending to mitigate the suffering of those out of work will be essential. Balancing the federal budget is not a high priority while unemployment is climbing. But once the economy has stabilized and unemployment falls, the president and Congress will have to focus on reducing the deficit. If they do not, they run the risk of another major problem: rising interest rates, which generally drive down private investment and often lead to an upsurge in inflation.<sup>7</sup>

Recessions, and recoveries from recessions, do not follow identical patterns. Past recoveries received a strong boost from the housing sector,<sup>8</sup> but that is unlikely to happen this time. High unemployment means that home foreclosures will continue to rise. The Center for Responsible Lending estimates 2.4 million new foreclosures in 2009 alone, and more than 8 million foreclosures between 2009 and 2012.<sup>9</sup>

The strength and vitality of any recovery depends on consumption, because consumption accounts for 70 percent of all U.S. economic activity. But this time around, recovery will occur in the wake of \$8 trillion in lost housing wealth and trillions more in lost stock wealth.<sup>10</sup> One in five mortgages is “underwater,” meaning that the homes are now worth less than the amount of the mortgage.<sup>11</sup>

The illusion of wealth during the bubble years fueled a consumption binge; U.S. households racked up levels of debt they can no longer sustain. For many homeowners, housing wealth cushioned the effects of stagnant wages and allowed people to continue spending above their means. In hindsight,

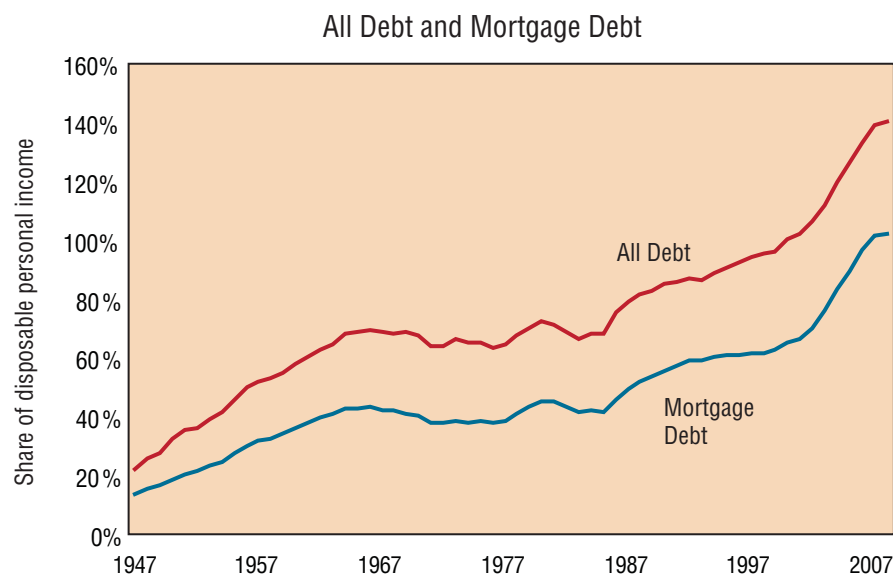


Jim Stipe

**At Our Daily Bread Employment Center in Baltimore, people line up for the daily Hot Meal Program, held seven days a week.**



Figure i.2 **Debt as a Percentage of Disposable Income, 1947-2007**



Source: *The State of Working America 2008/2009*. Economic Policy Institute analysis of Federal Reserve Board data.

taking on such huge amounts of debt seems irrational. But at the time, most people simply did not realize that the value of their homes was inflated. Some economists warned of the bubble and its consequences. But it is not the responsibility of economists, who mainly work in academic institutions, to safeguard the economy. Only government officials have the tools to deflate an asset bubble that threatened to wreck the economy.

So, where do we go from here? Some kind of structural change appears unavoidable. The Congressional Budget Office predicts a significant reduction in consumption through 2014.<sup>12</sup> “Consumers won’t start spending until

they have money in their pockets and feel reasonably secure, but they don’t have the money and it’s hard to see where it will come from,” says Robert Reich, who was Secretary of Labor during the first Clinton administration and one of the economists who warned policymakers not to ignore the consequences of the housing bubble.<sup>13</sup>

“Instead of asking when the recovery will start,” says Reich, “we should be asking when and how the new economy will begin.” The U.S. economy needs more than a short-term fix. It needs new ways of generating revenue that are sustainable and can create jobs to last long after the recovery.

## As Recovery Unfolds

One reason the Great Depression was a prolonged and painful experience was the lack of cooperation among the major economic powers of the day. Protectionist trade policies in Europe and the United States might have been politically expedient but did little good for anyone. An encouraging difference today has been the unprecedented cooperation among economic powers.

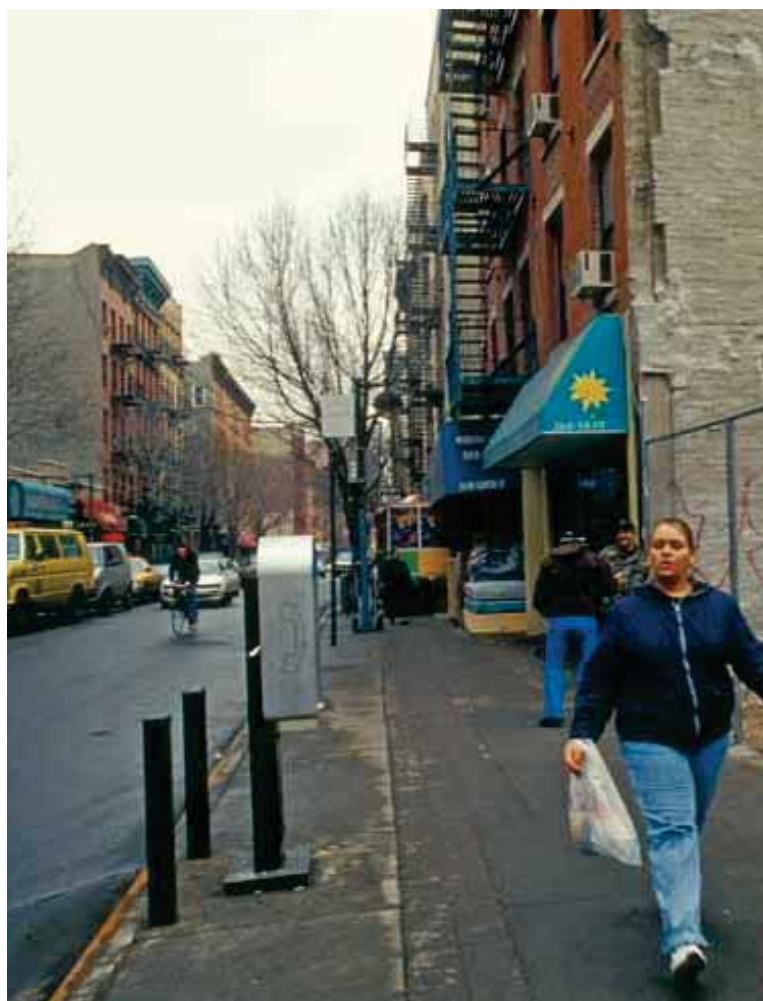
In September 2009, leaders from the G-20 nations met in Pittsburgh, PA, to continue to work together on pulling the world economy out of recession. The G-20 is now the “the premier forum for international economic cooperation,” as a communiqué from the summit put it. In addition to the United States, Japan, and several European Union countries, participants included major emerging economies such as China, India, and Brazil. The broadening spectrum of international voices participating in economic decision-making is yet another example of how the world is changing.

Against the backdrop of this meeting, Pittsburgh was a fitting choice of host. The city has served as an example of the dynamism that is possible in

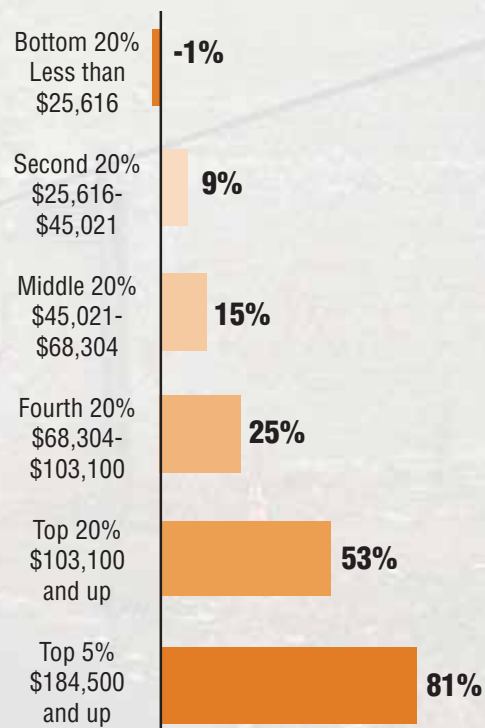
a post-bubble economy. Unlike neighboring cities in the Great Lakes region, America's Rust Belt, Pittsburgh recognized almost 30 years ago that seismic shifts in the global economy were beginning, and the city's leaders began to retool. Over the ensuing decades, the city has become a high-tech leader in information technology, materials science, and more recently, green technology.<sup>14</sup> The convention center where the G-20 summit was held is the first green, or environmentally sustainable, convention center in the United States.

Pittsburgh is exemplary because it has been so successful in diversifying its economy. In spite of having just one operating steel mill, it still can't shake the image of being a blue collar city and America's "Steel Town." Manufacturing is hardly dead here, more than 100,000 people earn their living in the manufacturing sector, but it's predominantly high-skill manufacturing (for example, producing sophisticated medical devices), which requires a better-educated workforce than before.

As a testament to its success, Pittsburgh has weathered the recession better than most major American cities. The unemployment rate (7.8 percent in July 2009) remains lower than the rate for Pennsylvania (8.5 percent) and for other metropolitan areas of the country (9.7 percent average).<sup>15</sup> Still, 22 percent of the city's population lives below the poverty line, twice the rate of Pennsylvania as a whole, and one in eight people in the city participates in



**Figure i.3 Change in Family Income by Quintile and Top 5%, 1979-2005**



Source: U.S. Census Bureau, Historical Income Tables.

Richard Lord

SNAP, the Supplemental Nutrition Assistance Program (formerly the Food Stamp Program), and the number of Pittsburgh families spending 50 percent or more of their income on housing increased by 72 percent between the mid-1990s and the mid-2000s.<sup>16</sup> We should keep these numbers in mind, alongside Pittsburgh's successful transformation, when thinking about recovery and the resumption of economic growth.

It will be hard to cheer a national economic recovery that leaves millions of people in low-wage jobs and unable to keep up with the rising cost of living. The nation's total economic output, its GDP, is too limited a measure of prosperity or well-being, because it doesn't say anything about distribution. A high GDP doesn't mean anything to families working full-time and watching the steady decline of their wages year in and year out.

In other words, a recovery that brings us back to the status quo is neither just nor sustainable. The nation has to rebuild its economy while also substantially lowering the poverty rate. For Pittsburgh, as for the rest of the country, the answer isn't strictly about diversifying the economy, although that's good economic policy and helps to make any place more resilient. Too many people have been left behind, excluded from the progress that is being made, either because they don't have the skills to compete or they are trapped by low expectations. Both conditions can and must be corrected.

The ascendancy of the G-20 is noteworthy for its acknowledgement that global economic recovery cannot revert to the *status quo ante* of being managed by wealthy economies for their own benefit. As is true for Pittsburgh and other areas of the country, sustained recovery for the economy entails reducing national poverty rates and giving everyone more opportunity to contribute to and share in secure economic futures.

## The Climate Challenge

"As leaders of the world's major economies," noted the G-20 communiqué from Pittsburgh, "we are working for a resilient, sustainable, and green recovery. We underscore anew our resolve to take strong action to address the threat of dangerous climate change."<sup>17</sup>

Climate change, like economic recovery, is another major problem nations must face together. The way forward on climate change is fairly clear, but the magnitude of this challenge is far greater than any other issue on the horizon. At this point, the scientific evidence of climate change is unequivocal. If we don't take strong enough action on climate change, the consequences could be catastrophic for everyone.

According to a study published in the journal *Science*, climate change could cause the global production of staple crops to fall by 20-40 percent.<sup>18</sup> The worst-hit regions will be in the developing world, but areas of the United States—the southeast and southwest in particular—will suffer from persistent drought. As the Secretary of Energy, Stephen Chu, has pointed out, California is our largest agricultural producer and water shortages in that state



Tim McCaig

Low-wage workers earn less today than they did 30 years ago once wages are adjusted for inflation.



alone could lead to dire consequences for the nation's food production.<sup>19</sup>

More than anything, it was Hurricane Katrina in 2005 that shattered Americans' complacency about climate change. The ferocity of the storm moved the discussions of climate disasters out of the realm of the theoretical and into a harsh new reality. In other parts of the world, especially in developing countries, the effects have been obvious for some time; droughts have become more common and once-productive farmland has turned to desert, exacerbating chronic hunger and malnutrition.

It's not too late to avert the worst-case climate change scenarios. We must reduce our greenhouse gas emissions, particularly carbon dioxide (CO<sub>2</sub>), the most abundant of the greenhouse gases that cause climate change. Other countries must do the same, but the United States produces more CO<sub>2</sub> emissions per person than any other nation. The size of our contribution to the problem means that the United States has a responsibility to show we are serious about reducing emissions.

Reducing greenhouse gas emissions will require the cooperation of every country, but this does not mean that all nations should be expected to cut emissions at the same rate. Developing countries are well aware that they did not cause the problem, so it's not surprising that they ask why they should limit their own industrial development when the United States and other developed countries achieved high standards of living without restrictions. They have a point. In 2006, China overtook the United States in total annual emissions, but China's per capita emissions remain significantly lower than those of the United States. Looking back over the years since 1900, China and India—countries with more than 1 billion people, whose economies are among the fastest-growing in the world—have contributed less than 10 percent of the world's CO<sub>2</sub> emissions.<sup>20</sup>

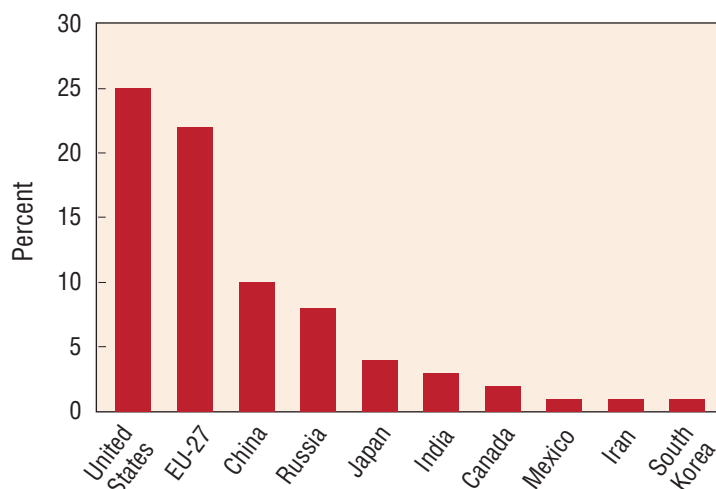
Clean energy resources like wind, solar, and hydroelectric power account for less than 10 percent of total U.S. energy production. But the Department of Energy issued a report in 2008 showing that the United States could generate 20 percent of its energy needs from wind power alone by 2035, and production is now ahead of schedule.<sup>21</sup> Solar power offers almost unlimited potential to produce energy. The amount of energy that reaches the Earth from the sun in two hours is equivalent to all the energy produced by humans in a year.<sup>22</sup> "I'd put my money on the sun and solar energy," said Thomas Edison back in 1931. "What a source of power! I hope we don't have to wait until oil and coal run out before we tackle that."

At the end of the 1970s, the United States was a world leader in research and development of clean energy technology. By the 1990s, it had ceded its leadership to other countries, who are now rushing ahead. China, India, Japan, and the European Union are all modernizing their energy infrastruc-



**Climate change will be a huge challenge—and a tremendous economic opportunity.**

Figure i.4 **Top Ten CO<sub>2</sub>-Emitting Nations' Share of Global CO<sub>2</sub> Emissions, 1950-2007**



Source: Carbon Dioxide Information Analysis Center.

ture. Climate change leaves no choice: clean energy investments will be crucial to long-term economic growth.

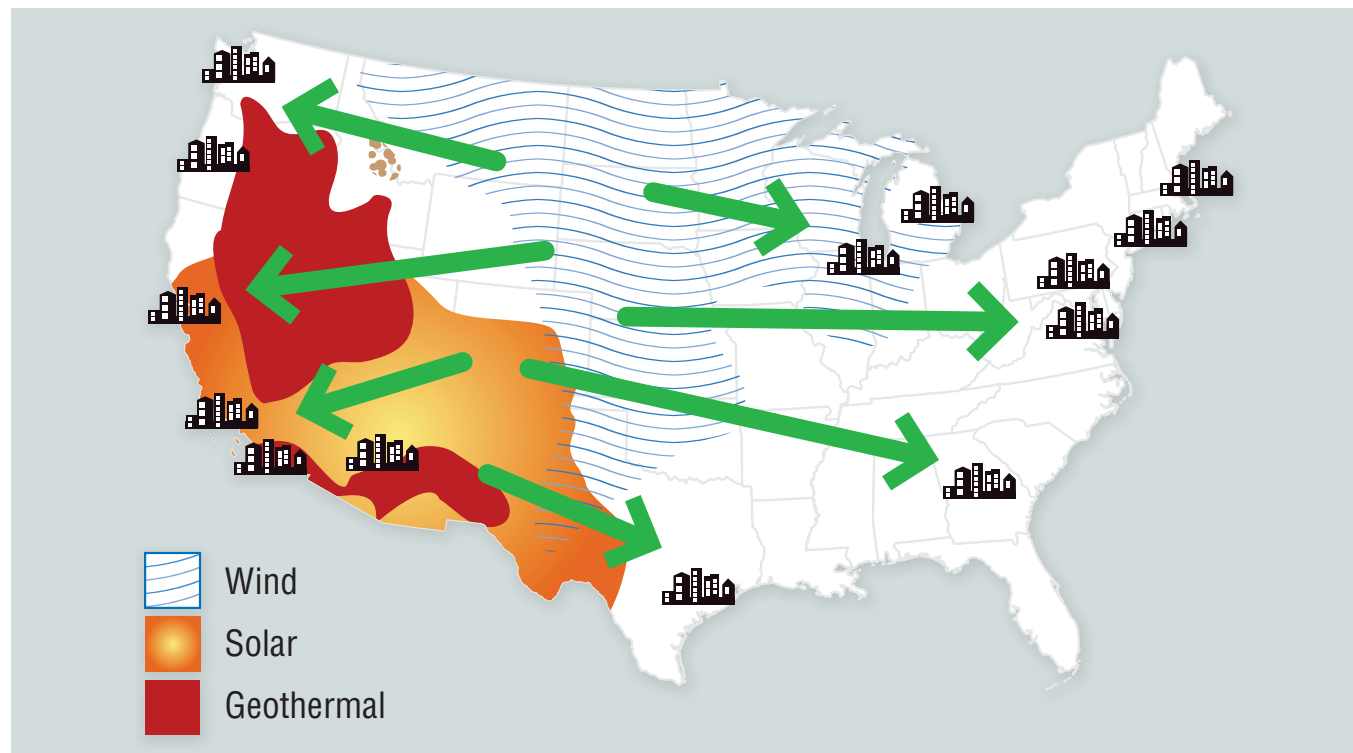
The technical barriers to harnessing larger quantities of solar, wind, and other renewable sources of clean energy are small compared to harnessing the political will to scale up investments in these technologies. The question is not whether we dare to dream of a future that relies less on fossil fuels and more on clean, renewable sources of energy, but rather whether we have the courage to do what we know we must.

## Wind Power in Indian Country

Rosebud and other Native American reservations in the northern Great Plains have some of the best wind power resources in the country. It's not just how often the wind blows, or the speeds it reaches—it's the density of the wind and the endless ridgelines that stretch across reservation lands that make this part of the country ideal for converting wind into electricity. Government studies estimate that the two dozen reservations in the northern Great Plains have sufficient wind resources to produce electricity to power half the United States.<sup>23</sup>

Some of the sunniest, windiest places in the United States are marginalized communities like Rosebud, which stand to reap huge benefits as the country steps up its commitment to fight climate change with clean energy. The Rosebud Reservation is as poor as anywhere in the United States. Unemployment is a staggering 80 percent. "Bleak and unyielding," is how Tillie Black Bear, director of the local nonprofit White Buffalo Calf Woman, Inc., described the hopelessness that pervades on the reservation.<sup>24</sup>

Figure i.5 **Nationwide Green Power Superhighways**



Source: American Wind Energy Association and Solar Energy Industries Association.

Rosebud has one of the highest suicide rates in the world for youth ages 10-24.<sup>25</sup> Could wind power alter this? “It’s the most hopeful thing to happen on the reservation in a long time,” says Ken Haukaas, who lives on the reservation and has been the principal advisor on wind power to the tribal council.<sup>26</sup>

The council has reached an agreement with a commercial developer to build a 30-megawatt wind farm, and it is negotiating with another developer for a 180-megawatt project.<sup>27</sup> Neither project will produce a significant number of jobs on the reservation, but rent paid on the land will be a source of revenue to improve schools, health care, and other services.

It’s difficult to measure the economic value of hope. The 30-megawatt project is expected to generate approximately \$250,000 in revenue per year. A casino on the reservation makes twice that much in a month, but it’s equally difficult to gauge the value of the hope drained from the reservation by the casino. The harm done to families and the spiritual malaise caused by the casino are in plain sight.

## Greening the Recovery

If it were ever really true that what’s good for the environment is bad for business and vice versa, the tradeoff has swiftly become an anachronism, largely because of the pressing need to address climate change. Climate change will be a huge challenge—and a tremendous economic opportunity. It’s possible to battle climate change and create jobs at the same time.

Greening the economy means different things to different people, but in this report we’re referring to a transformation of the nation’s energy infrastructure, from carbon-intensive fossil fuels to clean, renewable forms of energy such as solar, wind, and geothermal. We also include stepping up investments in cost-effective energy efficiency, such as weatherizing homes and office buildings.

“Green jobs” may sound like something altogether new, but they are mostly jobs that already exist with new skills added to the mix. A green roofer is like any other roofer, except that he has been trained to build roofs that are energy efficient. A manufacturer of solar cells is a green manufacturer in the sense that she is producing parts for the clean energy industry, but she is still a manufacturer.

Improvements in the nation’s infrastructure can yield significant productivity gains throughout the economy. Energy savings is just one reason that this is a wise investment. Because infrastructure projects are labor-intensive, they produce many more jobs than investments in most other sectors of the economy.<sup>28</sup> Proponents of a greener economy believe that clean energy and energy efficiency can engage a sizeable share of the U.S. workforce for at least a generation.<sup>29</sup> For each job that is created in the clean energy sector, there are additional jobs created by indirect and induced effects. “Indirect”



Mark Fenton

Wind power generates no CO<sub>2</sub> emissions.



effects come from industries that supply intermediate goods to clean energy producers. “Induced” effects refer to the sectors that produce goods and services that workers in the new clean energy sector buy with their own incomes. The total number of jobs created depends on the scale of public and private investment.

According to the 2009 report *The Economic Benefits of Investing in Clean Energy*, a joint effort by the Center for American Progress and the Political Economy Research Institute at the University of Massachusetts, “Clean-energy investments offer a more favorable result for working people in the United States according to any criteria.” Compared to equivalent investments in fossil fuel industries, for example, clean energy produces many more jobs, including “twice as many high-paying jobs and nearly four times more low-credentialed and low-paying jobs.”

The American Relief and Recovery Act of 2009 included \$90 billion in investments to create jobs in clean energy, energy efficiency, and mass transit—investments designed to spur development of a greener economy.<sup>30</sup> The American Climate and Energy Security Bill of 2009, sponsored by Reps. Henry Waxman (D-CA) and Ed Markey (D-MA), passed the House of Representatives. It included an additional \$60 billion for green job creation. It is estimated that the \$150 billion from these two pieces of legislation could generate a net increase of 1.7 million jobs<sup>31</sup>—which would be an impressive down payment on putting the U.S. economy on a path of sustainable growth.

The United States has always been a technological leader, and this is a moment when a technology revolution is underway in clean energy. Policy-

**Table i.1 Job Creation Through Green Investments versus Fossil Fuels by Formal Credential Levels**  
Based on \$1 million of spending

|   | 1. Green investments                    | 2. Fossil fuels                    | 3. Difference in job creation<br>(= column 1–2) |
|---|---|------------------------------------|---|
| <b>Total job creation</b>   | 16.7                                    | 5.3                                | 11.4  |
| <b>High-credentialed jobs</b><br>• B.A. or above<br>• \$24.50 average wage                  | 3.9<br>(23.3% of green investment jobs) | 1.5<br>(28.3% of fossil fuel jobs) | 2.4   |
| <b>Mid-credentialed jobs</b><br>• Some college but not B.A.<br>• \$14.60 average wage       | 4.8<br>(28.7% of green investment jobs) | 1.6<br>(30.2% of fossil fuel jobs) | 3.2   |
| <b>Low-credentialed jobs</b><br>• High school degree or less<br>• \$12.00 average wage      | 8.0<br>(47.9% of green investment jobs) | 2.2<br>(41.5% of fossil fuel jobs) | 5.8   |
| <b>Note: Low-credentialed jobs with decent earnings potential</b><br>• \$15.00 average wage | 4.8<br>(28.7% of green investment jobs) | 0.7<br>(13.2% of fossil fuel jobs) | 4.1   |

Source: Reprinted from *The Economic Benefits of Investing in Clean Energy*, Center for American Progress and PERI.

makers should not look narrowly at the immediate economic potential of this industry while other countries go forward and innovate. Other countries—such as China, India, Japan, Germany, France, and England—are investing in clean energy technologies that could soon pay handsome returns in the marketplace. “We can let the jobs of tomorrow be created abroad,” as President Obama says, “or we can create those jobs right here in America and lay the foundation for future prosperity.”<sup>32</sup>

When the wind farms on the Rosebud Reservation are running, they will transmit electricity across South Dakota and into neighboring states. The nation’s energy grid, the network of transmission lines that delivers electricity to homes and commercial buildings, must be modernized on a national scale if wind farms and other clean energy sources are to reach the country’s larger population centers. But that is a multi-billion dollar undertaking which appears unlikely to happen without private capital and, even more importantly, federal leadership.

History tells us that federal leadership has previously catalyzed transformative expansions of the nation’s infrastructure. Examples include the interstate highway system, the transcontinental railroad, rural electrification, and the Internet. Meeting the climate challenge, boosting U.S. competitiveness in the global economy, and reducing poverty—all of these are now bundled together and make a powerful case for a new national commitment to transform the U.S. energy infrastructure.

## When Markets Work For People

For a large share of Americans, the U.S. labor market no longer works as a reliable way to build a stable career and support their families. This was true before the job losses of the current recession (as of October 2009, the country had 7.6 million fewer jobs since the start of the recession in December 2007).<sup>33</sup> And unless there are structural changes in the economy, it will be true again once the recession has passed. Down on the bottom rungs of the economic ladder, where too many people who once had middle-income careers now reside, the real value of wages when adjusted for inflation has been declining for years.

One in four jobs does not pay enough to lift a family of four out of poverty.<sup>34</sup> The federal government tries to compensate low-wage workers through programs like the Earned Income Tax Credit (EITC). Without this and other forms of assistance, many more working families would be struggling to put



Roofers install solar panels on a home in the District of Columbia.

Mt Pleasant Solar Coop/Anya Schoolman

# BOX i.1 A LIVING WAGE IN SAN DIEGO

by Claire DiSalvo

Six years ago, when I was working as a community organizer in San Diego, I got to know Sarah Delgado, a woman hired by the city through a contractor to staff a street-level public restroom downtown. Sarah, a grandmother with a shy smile and a gracious manner, spent almost 40 hours per week there, cleaning toilets, mopping floors, restocking toilet paper, and buzzing people in and out from a tiny booth squeezed in between the men's and women's rooms.

Because she didn't make enough from her full-time job to support her family, Sarah worked an additional 25 hours a week at McDonald's. Both jobs paid minimum wage and provided no benefits. Even with two jobs, it was a constant struggle for Sarah to provide for her family. She was not alone. Thousands of people in the city worked two or even three jobs, and yet did not earn enough to make ends meet.

In 2003, the Center on Policy Initiatives (CPI), a local nonprofit, put together a basic needs budget for a family with two working adults and two children. CPI found that to pay for the barest necessities, such as rent, food, childcare, and transportation, each adult would need to

earn \$12.27 an hour—nearly double the state's minimum wage.

That year, CPI brought together a broad coalition of community groups, unions, students, and others to lobby the city of San Diego to enact a living wage ordinance. A living wage law was not a new idea. At the time, more than a hundred cities and counties had enacted living wage ordinances, including New York, Los Angeles, San Francisco, and Chicago. Such laws are necessary because the minimum wage is not based on the poverty threshold; it is simply an expression of political will, or how much legislators are willing to allow low-income workers to have.

While some economists argue that increasing the minimum wage causes job loss, as employers tighten their belts to make up for increased labor costs, studies of real-world living wage ordinances show that this has not happened. University of California economist David Fairris examined the impact of the Los Angeles living wage ordinance, which affected some 10,000 workers, and found that it “increased wages for low-income workers without serious employment loss or negative consequences for the firms that employ them.”

In San Diego, living wage proponents faced a tough fight. The city was in the midst of a fiscal crisis, and opponents argued that the city could not afford to increase workers' wages at such a time. But living wage activists responded that the ordinance made long-term fiscal sense. Moreover, raising wages improves morale, reducing turnover and increasing productivity.

San Diego's Interfaith Committee for Worker Justice played a key role in the campaign by mobilizing the faith community in support of a living wage.



Interfaith Committee for Worker Justice



More than 50 local religious congregations and 90 religious leaders publicly endorsed the campaign. Dozens of clergy members in their collars became a common sight in the City Council chambers. When key votes were recorded, clergy held prayer services on the steps of the City Council building and people of faith representing congregations from across the city packed the chambers inside.

In 2005, after some five years of work by living wage advocates, the San Diego City Council voted to enact a living wage ordinance by a 5 to 4 vote. The council meeting had to be held in a special auditorium instead of the normal council chambers because more than 600 living wage supporters showed up. The ordinance requires city contractors to pay employees \$10 an hour plus \$2 an hour in health benefits, or \$12 an hour, a rate that would increase with inflation. Some 2,000 employees were affected, many of them janitors, hotel housekeepers, security guards, landscapers, and food service workers.

Today, the city's contracted employees make \$11 an hour, plus \$2.20 an hour in health benefits, or \$13.20 an hour. The dire predictions made by the law's opponents that it would bankrupt the city have not come true. In addition to improving the livelihoods of thousands of people, it inspired an overdue conversation about work and wages and established as common sense the principle that people who work full-time should not be living in poverty.

Sarah was one worker who did not benefit from the living wage ordinance. She was fired by her employer after speaking at a City Council meeting in support of a living wage. I was living far across the country then, and when I found out what had happened to her, I called immediately. "It's okay," she told me. "I did the right thing."

*Clare DiSalvo was a summer research intern with Bread for the World in 2009. She is a graduate student in public policy at the University of Minnesota.*

food on the table and pay for housing, utilities, health care, childcare, transportation back and forth to work, and more. Many such families are forced to survive by living under a mounting pile of debt.

Government programs aren't the best solution for dysfunctional labor markets—their power is limited—but they can mitigate the deprivation and indignities associated with work that doesn't pay enough to live on.

The best anti-poverty program is a booming economy operating at full employment. At full employment, poverty decreases for the straightforward reason that people who were not previously earning a paycheck finally have one. As labor markets tighten, more of those who are involuntarily working part-time can move into full-time jobs. Furthermore, full employment prods employers to raise wages and improve working conditions and benefits in order to retain workers, for example by offering health insurance, paid sick leave, and/or childcare.

Full employment doesn't literally mean that the unemployment rate is zero. The precise rate of unemployment at "full employment" is a somewhat slippery definition, but basically, full employment means that the supply and demand for labor are in equilibrium. At full employment, everyone who wants a job, or nearly everyone, can find one. In the late 1990s, unemployment fell below 4



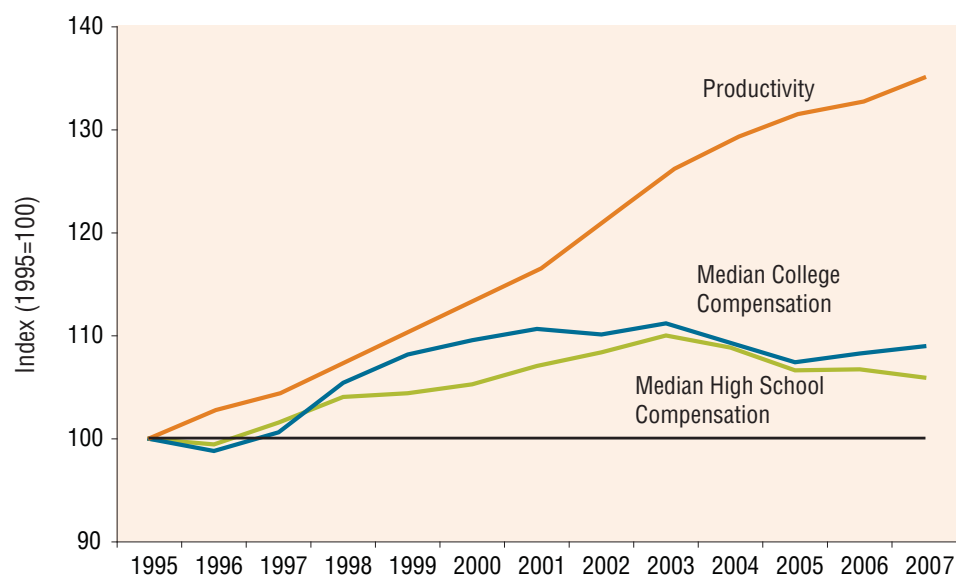
percent, bottoming out at 3.3 percent in 2000, and economists were calling this full employment.<sup>35</sup> An important factor in the booming economy of this period was a surge in productivity as information technology improved and started to pay off with rapid increases in efficiency.<sup>36</sup>

Full employment in the late 1990s meant that more progress was being made against poverty than at any time since the late 1960s. Real hourly wages for low-wage workers, after falling for more than two decades, grew by 1.5 percent from 1995 to 1999. “The seemingly inexorable increase in inequality slowed,” wrote Jared Bernstein and Dean Baker in their 2003 book *The*

*Benefits of Full Employment: When Markets Work for People*. But the progress achieved in the late 1990s soon stalled and was reversed by the early 2000s. “Once we departed even slightly from full employment,” Bernstein and Baker wrote, “incomes fell and did so most quickly for the least well-off.”<sup>37</sup>

In *Reviving Full Employment Policy: Challenging the Wall Street Paradigm*, economist Thomas Palley argues that full employment is the key to restoring the link between wages and productivity growth.<sup>38</sup> Normally, we would assume that if most people’s wages do not rise, productivity growth must be

Figure i.6 **Productivity and Median Compensation by Education, 1995-2007**



Source: *The State of Working America 2008/2009*. Economic Policy Institute analysis.

weak. But in fact, productivity rose steadily between 2000 and 2008. The problem is that the returns on this improvement went almost exclusively to the top 10 percent of earners, with the largest share among this group going to the top 1 percent. From 2000 to 2008, as Figure i.3 shows, the top earners got much richer, the middle class stayed largely the same, and the working poor continued to lose ground.

Government policies of the past three decades, both fiscal and monetary, are the fundamental reason why wages and productivity have become decoupled. A quick way to describe it is to say that monetary policy is made by the Federal Reserve and fiscal policy by the president and Congress. Fiscal policy has favored tax cuts over capital investments designed to increase productivity that could lead to long-term economic growth. For example, consider the decaying condition of the country’s physical infrastructure. The American Association of Civil Engineers estimates that the nation’s infrastructure deficit has climbed above \$2 trillion.<sup>39</sup> Monetary policy has mostly been concerned with holding down inflation, treating full employment as an enemy because theoretically it could push up wages.<sup>40</sup> Not all economists agree that full employment automatically corresponds to higher inflation,

and a period like the late 1990s, when full employment was achieved without a corresponding rise in inflation, offers strong proof to the contrary.

But more to the point, as Dean Baker says, “If it turns out that there is no alternative to using high unemployment to keep inflation under control, it is important to remember that different people will assess the risk of higher inflation and the cost of higher unemployment very differently. The fact that the people with the most say in determining Fed policy are associated with the financial sector lends a strong anti-inflation bias to Fed policy. The financial sector is willing to force workers to endure the costs of higher unemployment in order to minimize the risks of inflation.”<sup>41</sup>

A major reason for continued low wages is a low minimum wage that is not indexed to inflation and goes for long intervals without an increase. A low minimum wage harms far more workers than just those who earn it, because it sets the floor for all low-wage jobs. Wages have also been kept low by labor policies designed to thwart workers from organizing into unions to improve their bargaining power with employers.

Green jobs all by themselves will not restore the economy to full employment. Another factor is the need for policymakers to demonstrate allegiance to a model of economic growth that promotes full employment. No policymaker would deny that people who can work, should work. The problem is that government hasn’t done its part to make it possible for those who want to work to find a well-paying job. “Put simply, if a job improves the environment, but doesn’t provide a family-supporting wage or a career ladder to move low-income workers into higher-skilled occupations, it is not a green job,” argues the Apollo Alliance,<sup>42</sup> a coalition of business, labor, environmental, and community leaders working together to build greater public awareness and support for a green economy.

Greening the economy can put workers who would be stuck in dead-end jobs on a path to a middle class life, and that would go a long way toward reducing poverty. Green jobs offer low-wage workers career paths—and it is careers, more than jobs, which give people a sustainable hold on the middle class.<sup>43</sup>

## Investing in the Future

Economists often talk about workers in terms of their “human capital.” This refers to the skills and knowledge workers have acquired through education and experience.<sup>44</sup> Without a qualified workforce able to improve on old technologies, physical capital, like bridges and the electric grid, degrades or becomes unusable. Every country in the world will meet the challenges of the 21<sup>st</sup> century by investing in their human capital. The needed innovations must come, after all, from people.

Training is crucial to make up for a shortfall in skills. The private sector



In New York City old cooking oil from food establishments is recycled as biofuel.



and government must invest more in workforce development to raise the skill level of U.S. workers. Among the 25 richest countries in the world, the United States ranks 21st in spending on job training as a percentage of GDP.<sup>45</sup> This is not something that happened overnight. Funding for workforce development programs through the U.S. Department of Labor, when adjusted for inflation, fell 29 percent from 1985 to 2003.<sup>46</sup>

The differences are stark between the innovations needed to battle climate change and the financial “innovations” that led to the housing bubble. Preventing the worst consequences of climate change will help create a sustainable world to pass on to future generations. The financial maneuverings, on the other hand, saddled future generations with debt in return for the excesses of a few in the present.

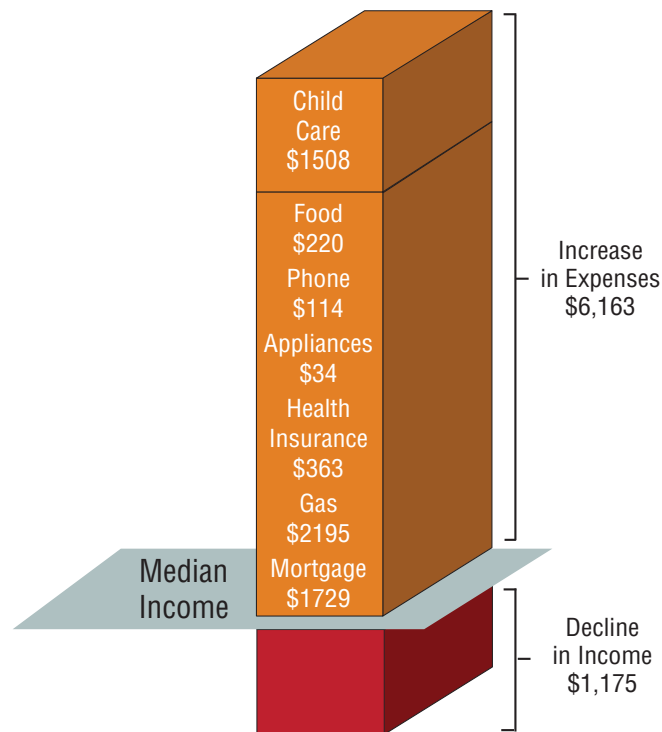
Ignoring the climate challenge by continuing the reckless consumption of fossil fuels mirrors the actions of the speculators who wrecked the global economy. “We created a way of raising standards of living that we can’t possibly pass on to our children,” says Joe Romm, a physicist and author of *Hell and High Water: Global Warming – The Solution and the Politics – And What We Should Do*. “Real wealth,” says Romm, “is something you can pass on in a way that others can enjoy.”<sup>47</sup> The collapse of the housing bubble and the recession that followed, on the other hand, showed how narrowly the United States defines wealth.

Since the housing bubble burst, most families have a lot less of everything to pass on to their children. For many, the evaporation of housing wealth comes on top of years of flat or declining wages. The middle class is shrinking, and has been shrinking for some time.<sup>48</sup> In the 100 largest metropolitan areas, including their suburbs, the size of the middle class fell from 43 percent in 1970 to 32 percent by 2005.<sup>49</sup>

According to opinion polls, most Americans still believe their country is a land of abundant opportunities that are available to anyone willing to seize them.<sup>50</sup> Statistics tell a different story. The United States stands out among wealthy countries of the world as having the highest income inequality.<sup>51</sup> Social mobility is hardest of all for those who start at the very bottom socioeconomically. Meanwhile, the top earners are getting richer more quickly than ever. Some of the big winners are the Wall Street bankers responsible for the Great Recession, and this was one reason the public was so furious when Wall Street got a taxpayer-financed bailout on the order of \$700 billion, while millions of middle- and low-income households faced the prospect of unemployment and foreclosure.

The middle class will not start growing again until jobs begin to pay better and the basic costs of living stop absorbing every dollar of earnings. While some costs have fallen in recent decades, mitigating the effects of stagnant wages, the costs that matter the most to reducing poverty are rising quicker

Figure i.7 **Income and Expense Changes, Working Parents, One Small Child, 2000-2007**



Source: U.S. Census Bureau Population Reports. Change in expenses from 2000-2006 calculated from the Bureau of Labor Statistics Consumer Expenditures Survey. Change in expenses from the end of 2006 through May 2008 calculated using the Bureau of Labor Statistics Consumer Price Index, assuming constant consumption.

than the overall rate of inflation.<sup>52</sup> The main factors that improve or worsen the level of a person's human capital and chances of achieving mobility are family wealth, educational attainment, access to health care, and homeownership.<sup>53</sup> America's middle class was built on policies in these areas; the policies were designed mainly to help people on the lower rungs of the economy. For the generation following World War II, government policies did much more to promote broadly shared prosperity than they have done in recent decades. For example, legislation like the G.I. Bill helped create millions of new middle-class families by making home loans and college scholarships available to returning war veterans.

To overcome the economic and social disadvantages they confront, low-income households need a better set of policies. But some policies are headed in the opposite direction. For the most vulnerable families of all, those who are living in extreme poverty, there is simply less help available now. In 2005, an additional 1.3 million children were living in extreme poverty because of policy changes made since 1995.<sup>54</sup>

Ultimately, people must take charge of their own economic and social mobility. But for poor families, it has gotten harder to build the human capital needed to rise out of poverty and stay out of poverty. Investing in these families will help them to help themselves get ahead. The president's pledge to end child hunger is a good place to start this investment. But bold pledges must be followed up by bold actions. Success will require hard work.



Policies designed to spur economic and social mobility in low-income families are covered in Chapter 2.

## Key Points in Introduction

**The worst recession since the Great Depression** was caused by the collapse of a decade-long housing bubble that had diverted policymakers' attention from the structural weaknesses undergirding the U.S. economy.

**A just and sustainable recovery is possible** if policymakers and business leaders are prepared to invest in building a workforce able to meet the challenges of the 21st century, such as controlling greenhouse gas emissions causing climate change and transitioning from fossil fuels to clean energy.

**The economy works best for everyone when it is operating at full employment** and economic growth is broadly and equitably shared. There is no better way than this to achieve a sustainable end to hunger in the United States.

# A LETTER TO PRESIDENT OBAMA ON ENDING CHILD HUNGER BY 2015

*Reverend James McDonald*

Mr. President,

You have pledged to end child hunger in the United States by 2015, and I want you to know that anti-hunger advocates and religious organizations have pledged their support to help you achieve this goal.

Child hunger in a country as wealthy as ours is scandalous. Approximately one in five U.S. children lives in a household that struggles against hunger, and the situation is even more alarming for children in African American and Hispanic households.

In no group does hunger pose a graver threat than among babies and children younger than three. Brief episodes of hunger can cause lasting damage to a child's mental and physical development.

Clearly, hungry children are victims of forces beyond their control; the injustice of this is magnified during periods of economic turmoil like the one we're now experiencing.

Please allow me to offer you some advice on how to make good on your courageous pledge. Hunger is a complex problem. Unfortunately, it cannot be solved by

any one program. Taken together, the suggestions below provide a comprehensive set of tools to get the job done.

## **1. Increase participation in child nutrition programs.**

Federal child nutrition programs like the School Lunch and Breakfast programs, WIC,<sup>1</sup> and the Summer Food Service Program are the frontline stand in the fight against child hunger. But too many children who qualify based on their family's income do not participate in the impressive menu of programs our government has created. It is heartbreaking to think that there are children who forego an entitlement to free or reduced-price school lunch or breakfast because of the stigma of being labeled poor. Half of all children born in the United States qualify for WIC, a testament to how important this program is, but during the critical months of pregnancy when good nutrition is essential to the health of newborns, almost a third of income-eligible women do not participate. Children are especially vulnerable to hunger in the summers,

when they are out of school and no longer have a school breakfast or lunch program available. The Summer Food Service Program is by far the weakest of the federal child nutrition programs. For every 100 children who receive free and reduced-price meals during the school year, only 12 participate in a summer food program.<sup>2</sup>

Child nutrition programs may provide the only access some children have to healthy foods.



Mark Fenton



# A LETTER TO PRESIDENT OBAMA ON ENDING CHILD HUNGER BY 2015

## **2. Increase the size of SNAP (formerly the Food Stamp Program) benefits.**

Many people don't realize that half of all SNAP benefits go to children. Although it is rarely described in these terms, SNAP is the largest child nutrition program in the United States. Of USDA's nutrition programming budget, 62 percent goes to SNAP, while the largest program officially called a child nutrition program—the National School Lunch Program—represents 15 percent of the budget.<sup>3</sup> SNAP has been crucial in responding to the rising threat of hunger during the recession, and the temporary improvements Congress and your administration made to the program in the American Recovery and Reinvestment Act—boosting benefits and reducing administrative burdens—were absolutely the right thing to do. I hope you will consider extending these. Prior to the recession, research showed that the average household exhausted 90 percent of its monthly benefit allotment by the beginning of the third week of the month.<sup>4</sup> In addition, millions of legal immigrants remain excluded from the program. No one who is in this country legally should be prevented from participating.

## **3. Make sure that work pays enough for parents to feed their children.**

Forty years ago, a minimum-wage job all by itself was enough for one parent working full-time to pull a family of four above the poverty line.<sup>5</sup> Today, in inflation-adjusted real terms, the value of the minimum wage is 17 percent lower than it was worth then, falling well below what is needed to lift a family of four out of poverty.<sup>6</sup> Many changes have occurred in the labor market. Some may have been inevitable, but the eroding value of the minimum wage was not inevitable. Rather, it has been the

policy of the U.S. government not to raise the wage at the rate of inflation. Between 1996 and 2006, the minimum wage remained frozen at \$5.15 an hour. Its recent increase to \$7.25 was hardly enough to make up for a decade without an increase. Raising the minimum wage does more than benefit those with minimum-wage jobs. The minimum wage sets a floor but also helps determine the pay of many other workers earning slightly more.



Rick Reinhard

## **4. Expand tax credits to help low-income workers.**

The Make Work Pay tax credit and the improvements to the Child Tax Credit and Earned Income Tax Credit (EITC) included in the American Recovery and Reinvestment Act are making a difference in holding off hunger in poor households. I urge you to make these emergency measures permanent. In recent decades, policymakers in Washington have signaled that they will address the inadequacy of low wages through tax credits rather than by increasing the minimum wage. Higher wages are a

# A LETTER TO PRESIDENT OBAMA ON ENDING CHILD HUNGER BY 2015

more sustainable solution to hunger, but without these tax credits—the EITC in particular—the number of hungry children in the United States would be far higher. Making these tax credits permanent is important for another reason. Tax credits are an appendage to earnings, and this appendage will always make up a smaller share of income than wages; as long as wages grow at a rate that is lower than the rising cost of living, then we must ensure that tax credits continue to make up the difference.

more than 50 percent of their income on housing.<sup>7</sup> Cheaper housing often means living in substandard or unsafe living conditions and/or giving up access to good schools and other services like nearby supermarkets. More housing assistance for low-income families is essential to ending child hunger.

## **6. Make health care affordable and available to all.**

Universal health care is a fundamental part of ending child hunger because the private insurance market is not working for low-income families. Most low-wage jobs do not offer health insurance, and if they do, the cost of the premiums often means that insurance is still out of reach. As long as families are unable to afford health insurance, they will always be at risk of financial ruin. Healthcare costs account for more personal bankruptcies than anything else. Fewer than half of workers in the lowest quintile of income (\$20,712 or less) receive employer-sponsored coverage.<sup>8</sup> The largest share of uninsured people are from low-income working families who earn too much to qualify for public healthcare coverage and too little to afford private insurance. The State Children's Health Insurance Program (SCHIP) may cover children from these families, depending on the state. But a family's financial condition is never secure as long as the parents are too poor to afford insurance.

## **7. Increase the availability of child care to low-income working families.**

To be able to work, parents of young children need some form of child care. It is dangerous (and illegal) to leave a child without care, yet parents who stay home with children often forego income that is needed to put food on the table. Parents frequently use informal childcare providers, such as family or friends, but not all parents can get such help. Moreover, trained early childhood educators are often a better choice, since the greatest advances in a child's intellectual development occur in



Mark Fenton

Stable housing is linked to food security in low-income households.

## **5. Expand public housing assistance.**

For most families, regardless of income, housing exceeds all other expenses, but for families in poverty, housing is such a burden that it crowds out spending on other necessities, such as food. Half of all low-income households—including both renters and owners—spend

# A LETTER TO PRESIDENT OBAMA ON ENDING CHILD HUNGER BY 2015

the early years of life. Researchers argue that child care combined with early education can do more to improve the life chances of a child in poverty than any other intervention. The cost of high-quality child care varies significantly across the country. Currently, the poverty threshold for a family of four is \$22,025. For a family with one preschool and one school-aged child, the cost of care ranges between \$7,000 and \$20,000 per year—a staggering amount for a low-income family, especially on top of housing, food, and other expenses.<sup>9</sup>

## **8. Invest in public transportation and, as needed, subsidize commuting costs.**

In the 1920s, transportation accounted for 3 percent of household income. Today, it averages 20 percent.<sup>10</sup> Investing more of the federal transportation budget in public transportation, rather than in building highways (where the bulk of funding now goes), would not only help low-income families with their commuter costs but also serve a larger public good. Transportation accounts for a third of CO<sub>2</sub> emissions, with the largest share of these coming from cars.<sup>11</sup> We could significantly reduce the emissions that are contributing to global climate change if we reduced the number of workers who commute by car. Depending on location, public transportation may never be an option for some workers, but transportation assistance is still needed. Tax credits or subsidies can encourage low-income families to purchase fuel efficient, reliable vehicles. Transportation costs take up a greater share of low-income families' budgets not only because they earn less, but because they are more likely to be driving older vehicles that cost more to maintain.

## **9. Improve access to mainstream financial services in poor neighborhoods.**

I urge you to strengthen existing programs that allow community banks, credit unions, and other financial services to take root and flourish in neighborhoods. No one gets ahead when paying down loans with annualized

interest rates of 500 percent. Often, low-income families are carrying unsustainable levels of personal debt because they don't have access to mainstream financial services. In neighborhoods where poverty rates are high, it is easier to find payday lenders and check cashing outlets than banks. On the streets of Washington, DC, less than a mile from the White House, you can see scores of these establishments before you spot the first bank. Across the country, banks have vanished from poor neighborhoods, leaving residents little alternative but to use these loan businesses. The average payday loan customer pays back \$800 on a \$300 loan.<sup>12</sup> That \$500 is a lot to be pulling out of a household food budget that is already stretched. Much more stringent limits should be placed on the interest rates lenders can charge.

## **10. Provide strong leadership to follow through on the pledge.**

Mr. President, your leadership is the most important factor in ending child hunger. Identifying policies that should be improved is the easy part—it takes leadership to help others see that ending child hunger is in everyone's interest. Americans are good and generous people. Many are unaware that child hunger exists right here in our own country. With your extraordinary gift as a communicator, you can move the public to embrace ending child hunger as their goal too.

Again, I applaud and support you in your pledge to end child hunger in our country.



Rev. James McDonald

*Reverend James McDonald is Managing Director for Bread for the World and a Presbyterian minister.*



**“Green Jobs” may sound like something altogether new, but they are mostly jobs that already exist with some new skills added.**



## Chapter 1

# Work in a Sustainable Economy

IT IS POSSIBLE TO BATTLE CLIMATE CHANGE AND CREATE JOBS AT THE same time. It is even possible to confront a daunting environmental challenge like climate change and recast it as an economic opportunity to build a more inclusive and sustainable future for everyone.

One strategy is to scale up investments in clean-energy technologies like wind and solar power, creating millions of new manufacturing and construction jobs. Another is to improve the energy efficiency of existing homes and buildings, an effort that could, if done on a wide enough scale, also provide jobs for millions of people in the construction trades.

Climate change is one factor among many that are forcing the United States to come to grips with its unsustainable agricultural system. Changes to U.S. agricultural policy that distribute supports to farmers more equitably could have multiple benefits: making farming a viable occupation for more people, boosting rural economic development, improving the environment, and increasing the amount of healthy foods people eat.

In this chapter, we also focus on human capital development, or what amounts to unleashing the full potential of our workforce. Human capital development is an integral part of building an inclusive and sustainable future. We focus on childcare providers, early education teachers, and direct-care workers because of their importance and because they are currently so neglected. The human capital infrastructure, as we're calling it, is much more than these three kinds of work, but these stand out as most in need of improvement.



Rick Reinhard



# Green Manufacturing and Construction

Transitioning to clean energy from fossil fuels won't be simple, and it will take several years, if not decades. The main mechanism is likely to be a cap-and-trade system to reduce carbon dioxide emissions. The "cap" is a ceiling on the total emissions allowed per year. Major emitters—such as coal plants, oil refiners, and natural gas producers—will purchase a designated number of emissions permits. Emitters may "trade" in permits if they need more than their share or find they can do with less. Over time, the cap is lowered and emitters are forced to conserve energy and transition to clean alternatives—alternatives that will largely depend on a vibrant manufacturing sector, able to produce the major components and subcomponents of new technologies in demand. Hence, this could be a great opportunity for U.S. manufacturers. Moreover, the manufacturing sector has one of the highest job-multiplier effects of any sector of the economy, with each manufacturing job spurring the creation of 2.4 other jobs.<sup>1</sup>

A cap-and-trade system will increase the costs of energy generated from fossil fuels. A share of these costs will be passed on to energy consumers. Through poor design and leakage, homes and buildings account for nearly 40 percent of all U.S. carbon emissions.<sup>2</sup> Once the clean-energy transition takes off in earnest,<sup>3</sup> energy efficiency becomes "the first fuel"—the fastest, cheapest, and cleanest way to meet future energy needs. Wind turbines and solar panels may be the more dramatic images people associate with clean energy, but caulk guns and fiberglass insulation will be no less important. The construction industry, in addition to building wind turbines and installing solar panels, will have the job of making existing buildings and homes more efficient.

A greener economy is very good news for the manufacturing and construction sectors. Together, they accounted for roughly half of all the jobs lost since the recession started in 2007.<sup>4</sup>

## Clean Energy in the Rust Belt

The largest solar-powered building on a college campus in the United States is at Oberlin in Ohio. It is not surprising to find buildings powered by solar energy on college campuses. Academic institutions are leaders in the research and development of clean-energy technologies. The components used to build the solar system at Oberlin had to be imported from Germany and Japan,<sup>5</sup> because the United States lacked the capacity to produce the parts at home.

The U.S. manufacturing sector has shrunk by more than a third since 2000, shedding 5.5 million jobs.<sup>6</sup> The recession contributed 2 million to those losses.<sup>7</sup> The worst of the job losses occurred in Ohio and Michigan, and to a lesser extent in the other Rust Belt states, such as Pennsylvania, Indiana and New York.



Rick Reinhard

Energy efficiency is often called the "first fuel" of a green economy, meaning weatherization work should become plentiful.



U.S. manufacturers know what a big opportunity clean energy is for them. Wind turbines consist of hundreds of components and subcomponents; about 70 percent of the total labor required for wind energy is in manufacturing.<sup>8</sup> According to the Renewable Energy Policy Project (REPP), the wind sector alone could support 400,000 manufacturing jobs.<sup>9</sup> Another scenario, formulated by the Department of Energy (DOE), forecasts 300,000 jobs.<sup>10</sup> The job-creation ben-

efits all depend on how ambitious our goals as a country are. DOE's estimate is based on a scenario of getting 20 percent of all U.S. power from wind by 2030; REPP bases its estimate on reaching a target of 50 percent. The DOE target seems conservative in that it is already being outpaced by wind industry output.

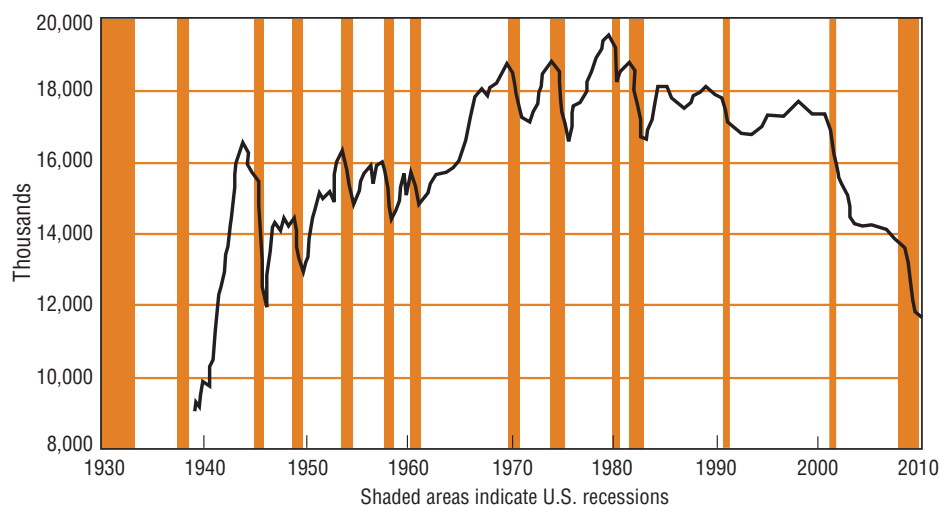
Ohio manufacturers stand to prosper in either of the scenarios. One study puts Ohio right behind California as the state with the most potential jobs in wind energy.<sup>11</sup> This forecast is not lost on Sen. Sherrod Brown (D-OH), one of the strongest supporters of clean energy in Congress. He introduced the Investments for Manufacturing Progress and Clean Technology (IMPACT) Act in 2009 to establish \$30 billion in revolving loan programs to assist small and medium-sized firms in retooling, expanding, and establishing clean-energy manufacturing operations and in improving energy efficiency.<sup>12</sup>

Through policies like IMPACT and the Production Tax Credit (PTC), the federal government can shrink the waiting period until clean energy is a cost-effective alternative to fossil fuels. Tax credits such as the PTC are used to stimulate business development in nascent industries like clean energy, where developers may not see a profit for several years. A report produced by the Brookings Institution in its series *Blueprint for American Prosperity* says that the PTC has been the most important federal instrument to encourage wind installation and utility-scale solar projects.<sup>13</sup> But the credit needs to be implemented consistently.

"Since its inception in 1992," says the Brookings report, "the PTC has expired and been renewed several times, causing installation to fluctuate: when the PTC lapses, new installation plummets; when it is reinstated, wind projects proliferate. This boom-bust cycle not only slows wind development and increases supply costs, it also discourages investment in domestic manufacturing infrastructure. Recent research suggests that a single, 10-year extension could more than double the U.S. manufacturing share of wind turbines and components."

Congressional resistance to longer extensions reflects the influence of oil and gas interests on energy legislation. In the 2009 American Recovery and

Figure 1.1 U.S. Manufacturing Jobs



Source: U.S. Department of Labor, Bureau of Labor Statistics.

**The manufacturing and construction sectors accounted for roughly half of all the jobs lost since the start of the recession.**

Reinvestment Act, Congress and the Obama administration took a step to improve the clean-energy outlook for U.S. manufacturers by adding a three-year extension to the PTC on wind energy projects—shorter than the 10-year extension called for in the Brookings report, but an improvement over one-year extensions. The legislation took additional steps forward by offering new tax credits and grant opportunities to increase production of solar, geothermal, and biomass technologies.

These financial incentives are “crucial to maintaining the growth in renewable electricity,” declared a statement by the Union of Concerned Scientists shortly after the stimulus bill was approved.<sup>14</sup> A report issued by the DOE concludes that because of the stimulus package, wind generation will more than double by 2012, the commercial photovoltaic solar sector will increase its capacity by 15 percent by 2011, and geothermal and biomass capacity will also increase.<sup>15</sup>

## Manufacturing and the Middle Class

In the 1950s, the U.S. manufacturing sector was the driving force of the economy, employing more than a third of the private sector workforce. The total number of U.S. manufacturing jobs peaked in 1979 at 19.5 million.<sup>16</sup> By September 2009, there were only 11.7 millions jobs in the manufacturing sector, and manufacturing employed less than 10 percent of the U.S. workforce.<sup>17</sup> Over the past decade, the manufacturing sector has been decimated

as firms closed down or moved overseas.

The importance of the manufacturing sector to the rise of the middle class in the United States should not be overlooked. For Americans growing up in poverty, manufacturing jobs provided one of the few pathways out, allowing “low-skill” workers to own homes, put their children through college, and retire with dignity and a measure of financial security. A high school diploma was valued but not a requirement for landing a job that could put one on a solid career track. This era has vanished as competition from abroad has placed an increasingly higher premium on the value of education in the manufacturing sector.

In an interview with Bread for the World Institute, Laura Rios, a native of Lorain, OH, explained how manufacturing provided jobs to her and her husband straight out of high school

in the late 1970s. “We were a generation that didn’t need a skilled job to make a good living. All we wanted for ourselves was a high school diploma. We knew people who had dropped out of school and walked into these living-wage jobs.” In the 1990s, the plant where Laura and her husband worked closed and moved overseas. They and their three children spent a year in poverty as the family struggled to rebuild their lives. It’s a familiar story in the Rust Belt, but the Rios family was lucky. With help from a government



Even while losing millions of jobs over the past decade, U.S. manufacturers have been among the most productive in the world.

program for displaced workers, Laura and her husband went to college, found good jobs, and returned to the middle class. But many of their peers never recovered.

Several factors explain why the manufacturing sector has lost so many jobs. One, of course, is globalization and the greatly expanded pool of labor from the developing world and Eastern Europe competing for jobs. Firms could relocate their operations overseas, paying foreign workers a fraction of the wages they had had to pay Americans. The expansion of global trade has lifted millions of people in developing countries out of extreme poverty and contributed to significant reductions in world hunger. In no way does this minimize the pain experienced by displaced U.S. workers, but the benefits to developing countries are quite real. A preponderance of the jobs transferred to workers overseas have been in low-skill manufacturing—for example, the apparel and textile industries, which together accounted for 40 percent of the U.S. manufacturing jobs lost between 2000 and 2007.<sup>18</sup> Imported apparel rose from 50 percent of the U.S. market in 1999 to 66 percent in 2003 to 73 percent in 2007.<sup>19</sup>

Another factor contributing to lost jobs in manufacturing has been an overvalued dollar in international currency markets, which provided cheaper products made overseas to U.S. consumers while at the same time making U.S. products less competitive overseas. Since the mid-1990s, U.S. policies have promoted an overvalued dollar, which is believed to be necessary to control inflation. Many monetary policy economists regard full employment as a threat to keeping inflation low, and job losses in export-oriented sectors like manufacturing are tolerated as a quid pro quo to hold down inflation.

Estimates of the competitive advantage that an overvalued dollar gives U.S. trading partners range from 10 to 16 percent.<sup>20</sup> The resulting trade deficits cost millions of domestic manufacturers their jobs. In terms of the effect on the broader economy, though, trade deficits caused a reallocation of jobs more than a decline in overall employment. Displaced manufacturing workers moved into other industries, such as services, where they earned significantly less income. The average manufacturing job still pays 20 percent more than the national average for all jobs, suggesting that manufacturing remains crucial to sustaining a healthy middle class.<sup>21</sup> The influx of displaced manufacturing workers into lower-wage labor markets has also put downward pressure on wages in all low-wage jobs.

One more factor that undermines the competitiveness of U.S. manufacturers is health care policy. The United States spends much more for health care than any of its major trading partners. The effects of this are nowhere more apparent than in an export-oriented sector like manufacturing. If U.S. health care costs were comparable to those of other developed countries, it would translate into a 4.6 percent cost advantage for U.S. manufacturers relative to these trading partners.<sup>22</sup>



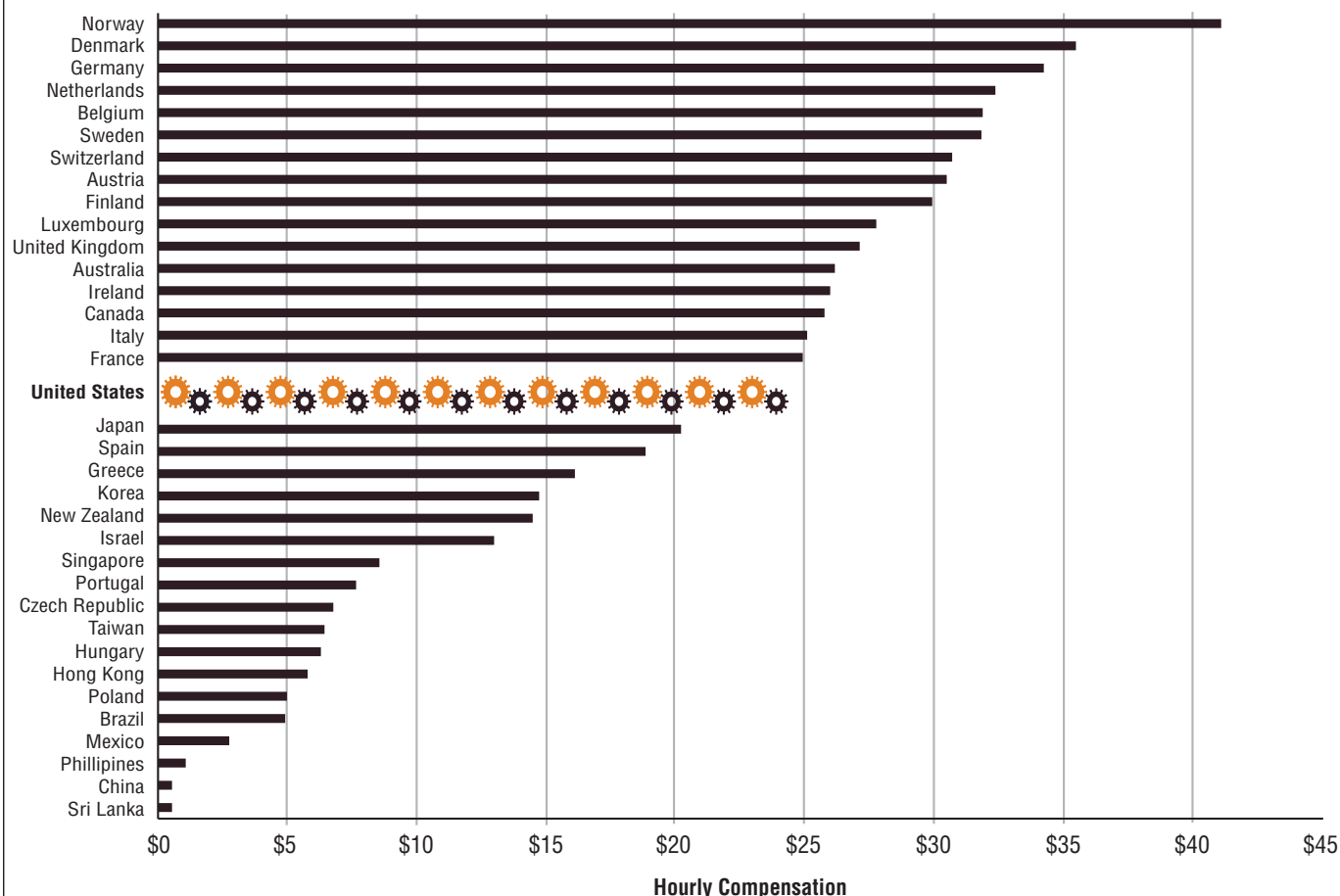
Eighty feet above the ground, workers perform maintenance on a wind turbine at a USDA research station.



It is important to mention two often-heard but overstated explanations given for the loss of U.S. manufacturing jobs: unions and automation. Unionization within the U.S. workforce peaked in the 1970s and has been declining steadily since—so high union participation did not coincide with manufacturing job losses. The steepest decline in unionization occurred well before the dollar became overvalued in the mid-1990s.

Others argue that improvements in technology increased productivity and made routine jobs obsolete, thus contributing to job losses. It is true to an extent that automation has lowered the need for labor, but again, this was something that was more of a factor in earlier decades. More recently, significant productivity gains have been confined largely to a couple of sub-sectors—computers and electronic products—that constitute about 10 percent of the U.S. manufacturing sector.<sup>23</sup> Moreover, as economists Daniel Luria and Joel Rogers write, “If ‘routine’ [jobs] were being shed, we would expect substantial growth in the average wages for U.S. manufacturing workers, since the “routine”—low-paying—ones were eliminated. But that is not the case.” From 1990 to 2005, hourly wages grew barely at all (by 0.38 percent annually).<sup>24</sup> Rather than stemming from the loss of jobs to overseas workers, the anemic growth in wages is directly associated with the decline in union participation, resulting in the weakening of workers’ bargaining power.

**Figure 1.2 Hourly Compensation of Production Workers in Manufacturing**



Source: Bureau of Labor Statistics. Reprinted from Economic Policy Institute, Briefing Paper #229.

## How U.S. Firms Can Be Competitive in the Global Economy

U.S. manufacturers remain among the most productive in the world.<sup>25</sup> However, much of the competitiveness of U.S. firms hinges on policies beyond their control, chiefly health care policy and the value of the dollar relative to foreign currencies. Reform in both these areas is crucial not only to domestic manufacturers but to the viability of the U.S. economy as a whole.

It's hard to say which of the two is more urgent. The trade deficit can be rebalanced relatively quickly compared to the time that will be needed to lower health care costs. But in the long run, health care costs may prove to be more damaging to the economy as a whole. A longer discussion of health care policy and its ramifications for the economy is included in Chapter 2.

Usually when we hear concerns about the federal budget deficit, the impact of the U.S. foreign trade deficit isn't mentioned. But in fact, running a large trade deficit worsens the budget deficit, because it puts pressure on U.S. employers to pay lower wages to remain competitive with overseas companies. This in turn means that government expenditures to help low-income workers increase—and the budget deficit increases. As the trade deficit soared between 2000 and 2007, an additional 5 million families filed for the Earned Income Tax Credit (EITC), which cost the U.S. government an additional \$16 billion.<sup>26</sup> The increase in recipients was not because a larger percentage of eligible taxpayers decided to file for the credit—it was because increasing numbers of families became eligible. Another example is the increased federal spending on nutrition programs over the same period—the additional \$22 billion was mainly for the 9 million new people receiving food stamps (renamed SNAP in 2008).<sup>27</sup>

There are certainly ways to support U.S. manufacturers with positive policies, but the automatic response of tariffs on imports is not one of these ways. Tariffs harm everyone, especially consumers who must pay more. They punish foreign competitors and protect U.S. producers rather than encouraging them to perform to a higher standard. It's an easy "fix," but it is counterproductive; there are better alternatives.

Many U.S. firms have realized that investments to increase productivity, such as for new equipment and additional employee training, allow them to achieve more and retain their U.S. workforce. Firms who take the "high road" are willing to share these productivity

### Key investments to generate millions of jobs and rapidly reduce greenhouse gas emissions that are contributing to climate change

1. *Retrofit existing building stock to be more energy efficient*—this entails caulking and insulation, performing energy audits, servicing HVAC systems, and more.
2. *Produce more electricity from clean energy sources, e.g. solar and wind power*—renewable sources of energy have the added benefit of reducing U.S. dependence on foreign oil, which has implications for national security.
3. *Upgrade the national electricity grid*—to take full advantage of new forms of clean energy, the grid must be upgraded to transmit power from clean-energy sources in remote areas of the country to densely-populated areas where demand is greatest.
4. *Increase the use of public transportation*—transportation currently accounts for a third of all greenhouse gas emissions, right behind buildings.

Most of the jobs created by these investments will be in the manufacturing and construction sectors.

### How these investments benefit low-income families in particular

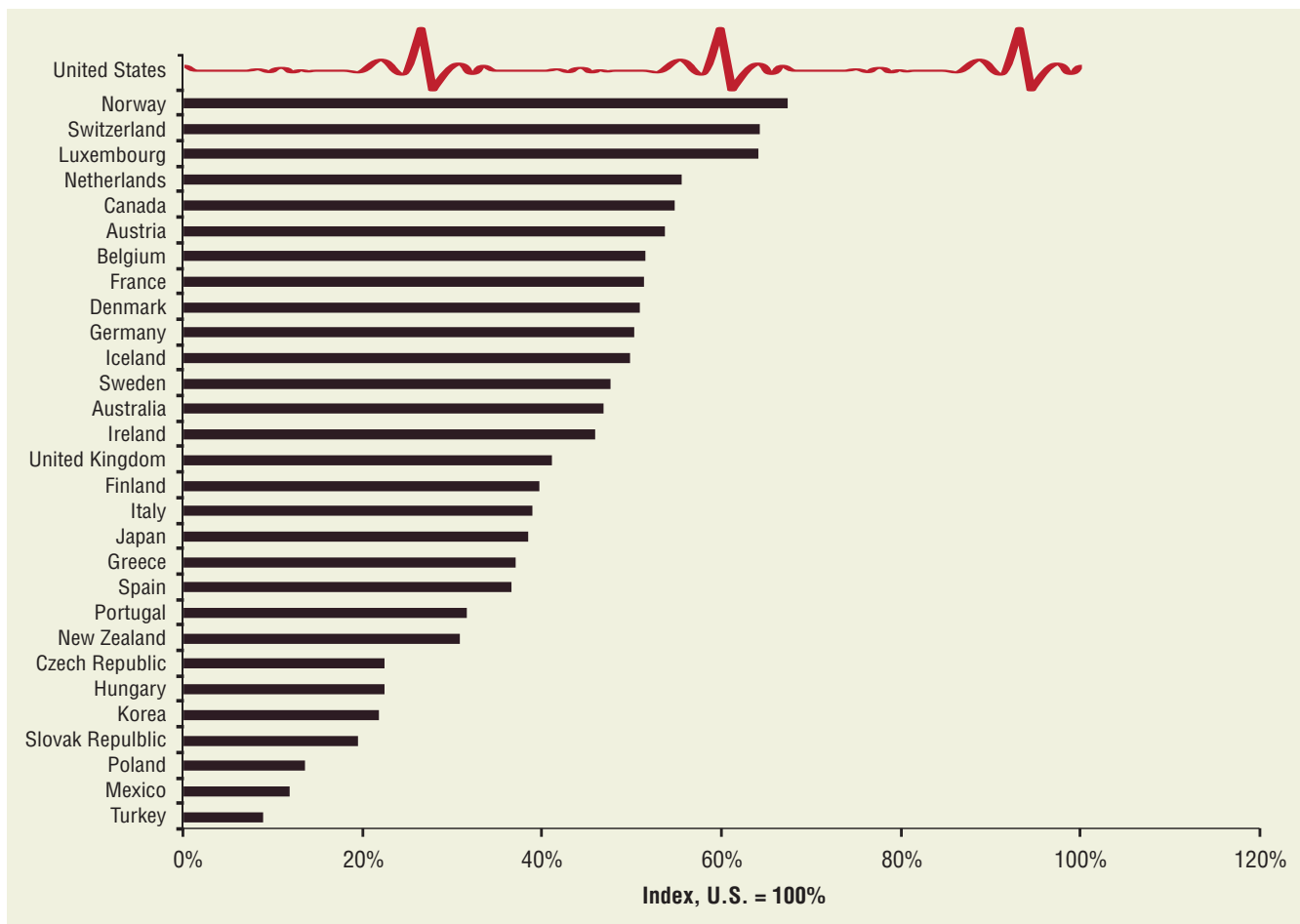
1. Half the jobs created from these four investments would be available to workers with a high school diploma or less.
2. Most of these jobs would be career-path jobs, leading to higher pay and potential management responsibilities.
3. Families would have lower utility and transportation costs. The average working family spends a quarter of its income on utilities and transportation costs, and for low-income families the percentage is usually higher.\*

Sources: Center for American Progress, \*National Center for Children in Poverty

gains with their workers. There are ways for the U.S. government to actively support this kind of firm. For example, the Manufacturing Extension Partnership (MEP), a program run by the Department of Commerce, supports small manufacturing firms in the same way that agricultural extension agents through the Department of Agriculture (USDA) work with farmers to increase their productivity. MEP specialists have helped firms achieve an average 5 percent increase in productivity—and in some case, the gains have been as high as 50 percent.<sup>28</sup>

Manufacturing, which employs 10 percent of the U.S. workforce and produces 14 percent of Gross Domestic Product (GDP), receives less than a third of the funds allotted to extension services for agriculture, which employs 1.9 percent of the workforce and produces 0.7 percent of GDP.<sup>29</sup> In 2008, Susan Helper, an economist who specializes in the manufacturing sector, estimated that a \$300 million investment in MEP, which would put overall funding on par with USDA's agricultural extension budget, could save up to 50,000 U.S. manufacturing jobs. Less than 6 percent of small firms now receive assistance through MEP,<sup>30</sup> but this would change with the passage of Sen. Brown's IMPACT Act, which raises MEP funding levels by \$1.5 billion. That is good news for U.S. manufacturers.<sup>31</sup>

Figure 1.3 Per Capita Health Care Costs, 2006



Source: OECD data. Economic Policy Institute, Briefing Paper #229.



## Learning the Skills to Compete in Construction

The day before his inauguration as president of the United States, Barack Obama visited the Sasha Bruce House, a shelter and service center for homeless youth in the District of Columbia. The visit was captured on national television, with the president rolling up his sleeves to paint a wall and extol the rewards of community service.

A year and a half earlier, one of the residents of the Sasha Bruce House had been on Capitol Hill, invited by lawmakers to talk about himself and his participation in a workforce development program called YouthBuild. The Sasha Bruce House is a local sponsor of this national program in the District of Columbia; YouthBuild is designed to provide at-risk youth in urban areas with the skills to obtain jobs in construction. “Good afternoon, ladies and gentlemen,” the young man began his testimony before the Subcommittee on Income Security and Family Support. “My name is DeCario Whitfield, and I am 19 years old. I came to the YouthBuild program after coming home from jail. I was locked up at the age of 16 for armed robbery.”

In the remainder of the testimony, the committee learned how Whitfield arrived at this point in his life. They heard about his parents—a father doing time in prison himself and a mother addicted to drugs. They heard about what it was like growing up on the rough streets where Whitfield spent his childhood and youth. “I was in charge of my life, even though I was not wise enough to make decisions for myself. I lived in the ghetto. I saw people getting shot, stabbed, using drugs, and getting robbed every day. It was easy to follow the crew and do the same thing. I found out about Sasha Bruce while I was in jail. I wanted to get my GED because I didn’t graduate from high school. I wanted to be able to get a job so I didn’t ever have to hustle. When I’m all done with this program, I will have training in a trade to use to get a job.”

YouthBuild helps at-risk youth attain a GED and provides them with skills in a building trade. Whitfield and the 10,000 other young men and women who come through the YouthBuild program each year<sup>32</sup> may go even further. Many graduates use the income they earn from their construction jobs to pursue dreams like community college, a four-year degree, or apprenticeships in the construction trades. The program ensures that its graduates have a set of skills to fall back on as they work to expand their own opportunities. Some people have left their former neighborhoods never to return, but others have gone back to work with youth stuck in similarly troubled circumstances. They heard the call to help others long before President Obama urged the entire country to participate in community service.



Richard Lord

Teens in Little Rock, Arkansas learn construction and painting skills. In 2009, the unemployment rate for 16-24-year-olds topped 50 percent, the highest rate since WWII.

## BOX 1.1 WORLD VISION'S YOUTH EMPOWERMENT PROJECT

by Nathalie Moberg and Corryne Deliberto

Among a community's most valuable assets are its children and youth. As our young people thrive, so do we all. As they struggle, so do our communities. In urban and rural settings across the United States, marginalized youth are crying out for the opportunity to change the places they call home.

Among them is 17-year-old Luisa Ashenfelter, who is growing up in one of Seattle's hardscrabble neighborhoods. Here in 2008, nine people—four of them juveniles—were gunned down by gang members. The threat of violence is a constant companion in this community, robbing many local youth of the will to stand up against brutality. But Luisa refuses to succumb to the fear. "The change starts within yourself. You've got to want something better," the diminutive yet bold high schooler says with conviction.

gang violence, drugs, and social injustice no longer have a stranglehold on their lives. World Vision is equipping these youth to embrace a new and vibrant future through its Youth Empowerment Project.

The Youth Empowerment Project—World Vision's signature project in the United States—unleashes young people's wisdom, creativity, and passion as they learn to lead positive change in their communities. In a country founded on equal opportunity for all, World Vision advocates for change in the social and economic realities that perpetuate inequality and prevent children from reaching their full potential. Young people have a particularly compelling message and role to play in the process of community transformation. The Youth Empowerment Project provides them with the opportunity to reflect on their community experience, refine their advocacy voice,

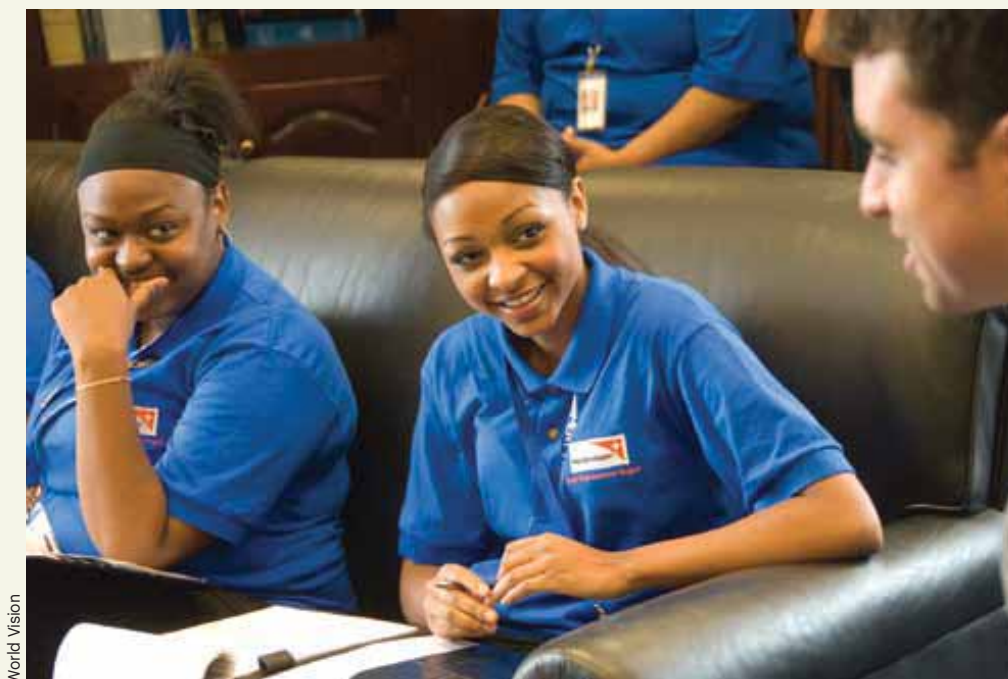
and promote positive change in their neighborhoods.

Many of the teenagers participating in the Youth Empowerment Project have stood at the graveside of friends and loved ones who died too young from violence. Some have been homeless or had parents in prison. Some have been in gangs. Others grew up in abusive homes.

Despite the challenges, these youth are not ready to give up or give in. The Youth Empowerment Project equips these young people with training, support, experiences, and resources that develop their leadership and

advocacy potential—becoming active citizens who speak out and influence change in their communities.

Each year, participating youth spend 20 weeks in



World Vision

Members of the Seattle delegation meet with Rep. Jim McDermott (D-WA) in his office on Capitol Hill.

Luisa's passion echoes across the nation as dedicated youth from 12 of the country's most vulnerable communities join forces to transform their neighborhoods so that

intensive training, identifying and studying their community's urgent needs and then developing policy proposals to address those needs. Young people from all over the country who have completed their training gather in Washington, DC, each summer to present the proposals to their respective members of Congress. In July 2009, youth delegates visited the offices of 38 members of Congress from 10 states along with two members of the District of Columbia City Council. Half of the meetings were attended by the members of Congress themselves. The students had the opportunity to present their recommendations and engage in thoughtful discussion and debate with their representatives. The efforts of some of the youth delegates persuaded several members of Congress to support legislation on the prevention of youth violence.

When the Youth Empowerment Project delegates return home from Washington, they continue to advocate for change in their communities and teach others to join them in transforming their neighborhoods. In 2008, Youth Empowerment Project delegates from Seattle, WA, established a local advocacy campaign called "Who's Next?"—a youth-led effort that promotes nonviolence at citywide rallies and in local schools.

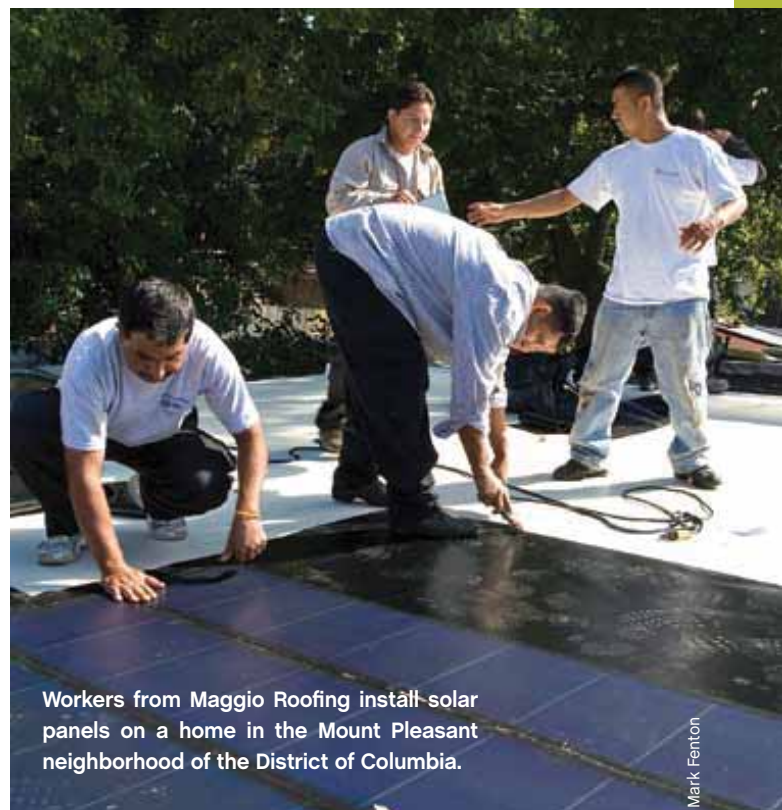
The Youth Empowerment Project works to foster confident young leaders who are using their talent and vision to shape bright futures for themselves and the nation. Shawn Dunbar, a delegate from Albany, GA, says, "I saw Youth Empowerment Project as something positive that I could give back to my community and peers. Also I wanted to learn to be a good leader ... to be the person that stands out and does the right thing."

*Nathalie Moberg is a senior writer and Corryne Deliberto a domestic policy advisor with World Vision.*

"Programs for young people, like YouthBuild, need to be everywhere," Whitfield said at the end of the testimony. "Not everybody is able to get to the right people to help them get back straight. Not everybody that fell off the track is in a place where they get word of the chance to do better, fix the wrong stuff, and make something of themselves."

Unfortunately, programs like YouthBuild are *not* everywhere. They are a tiny share of the shrinking workforce development line item in the federal budget. Federal spending on workforce development, when adjusted for inflation, has declined by more than 30 percent since 1985. Among the industrialized nations of the world, the United States ranks near the bottom in spending on training for its workforce.<sup>33</sup> Moreover, half of all adults who benefit from workforce training services are not low-income workers—the people who will benefit most.

Nearly half of all jobs in the foreseeable future will be middle-skill, says a report by the national Skills2Compete campaign, whose sponsors include business, labor, and education leaders as well as public officials.<sup>34</sup> Middle-skill jobs require more than a high school diploma but less than a four-year college degree. Well-paying, family-supporting jobs are going unfilled right now because of a shortage of skilled workers. This is a problem bound to get worse as baby boomers retire. In a 2005 survey of manufacturers, 90 percent of respondents reported mod-



Workers from Maggio Roofing install solar panels on a home in the Mount Pleasant neighborhood of the District of Columbia.

Mark Fenton



erate to severe shortages of trained machinists and technicians.<sup>35</sup> A skilled workforce is unlikely to simply appear on its own, without an effort by government and private industry to create one.

“Many local YouthBuild programs are turning away three to six times as many young people as they take in; last year we turned away 14,000 applicants,” says Dorothy Stoneman, founder and president of YouthBuild. “Last year I asked 75 YouthBuild graduates at a conference how many of them had acquaintances or relatives who had applied to YouthBuild, were not accepted for lack of room, and were now dead. Some 80 percent raised their hands.”<sup>36</sup>

## Retrofits and Carbon Reduction

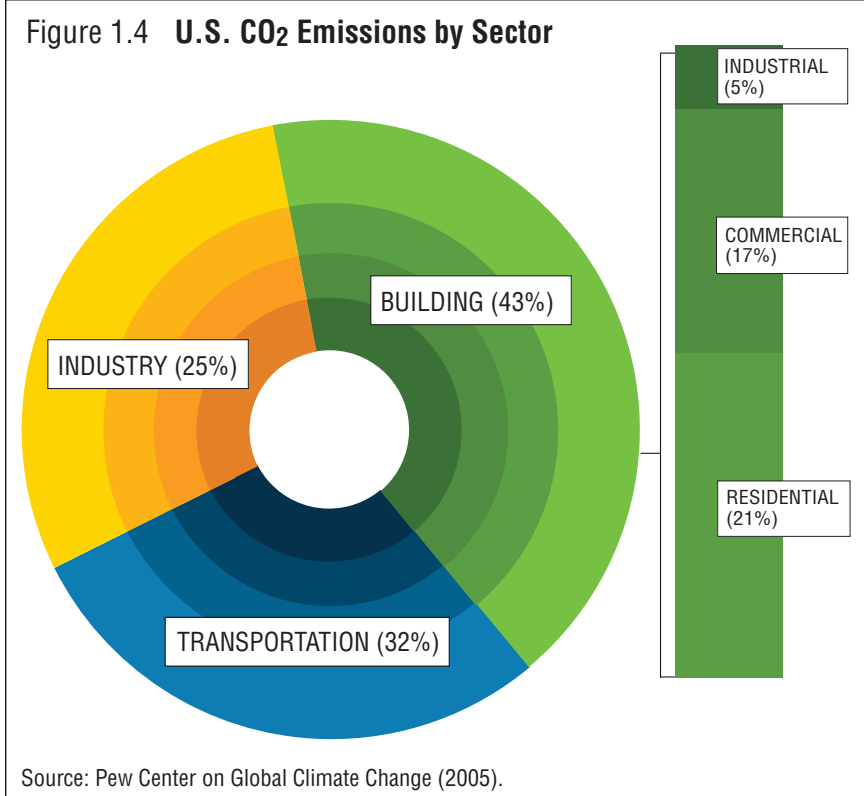
Stepping up efforts to renovate buildings to be energy efficient could lead to the creation of millions of new jobs, particularly for workers in entry-level and mid-level positions. Buildings consume 43 percent of the energy used in the United States, making them responsible for a comparable amount of carbon emissions. The emissions are primarily a result of heavy reliance

on fossil fuels for power, half of which comes from coal.<sup>37</sup> The Intergovernmental Panel on Climate Change (IPCC) and the McKinsey Global Research Institute report that construction and renovation of buildings has one of the largest packages of potential environmental and economic benefits.<sup>38</sup> Simple improvements, such as adding insulation, switching to more efficient lighting, caulking leaks to prevent the loss of heating and cooling, and installing more energy-efficient windows and doors could cut 70 percent of building emissions.<sup>39</sup> So many homes and office buildings could be more energy efficient. The question is, where to begin?

One starting point is government buildings, including nearly 100,000 public school buildings around the country and 6.6 billion square feet of space.<sup>40</sup> This is a good place to start

for several reasons. Once a renovation is complete, energy savings could be promptly spent on books, teachers and equipment. One could imagine schools integrating the renovation work into lessons about climate change. Instead of the work being done around the students as they learn, it could be put right into the curriculum and used to help connect one of the biggest issues of our time with what is happening right there at the school.

Another place to focus efforts is public housing. Public housing accounts for 14 percent of all rental-housing stock in the United States. There are 4.75 million units of federally subsidized, affordable rental housing, most



of which were built before 1970.<sup>41</sup> According to a study by the Government Accountability Office, renovations costing as little as \$2,500 to \$5,000 per unit could improve the units' energy efficiency by 25-40 percent.<sup>42</sup> The savings would begin accruing instantly. In 2007, the Department of Housing and Urban Development (HUD) spent more than \$4 billion on energy costs. Renovations would mean at least \$1 billion in savings per year, possibly more.<sup>43</sup>

Under the Housing and Urban Development Act of 1968, private owners of HUD-assisted housing must "to the greatest extent possible, provide job training, employment, and contract opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods."<sup>44</sup> Renovations would provide an excellent opportunity to create jobs for young people like DeCario Whitfield. Jobs are scarce in poor urban neighborhoods with high percentages of public housing. The renovation work could provide residents with income and a set of skills to apply far outside their own neighborhoods

Because public housing makes up a large share of all rental housing, a government investment like this could be the catalyst of much greater private investments. "HUD affects a sufficiently large number of units to produce demand for workers and products on a scale to stimulate development of a green renovation industry," says housing policy expert David Abromowitz. Workers with these green skills would be in demand because of their experience with renovating public housing.

It would be possible to renovate all old buildings to be carbon-neutral within the next couple of decades.<sup>45</sup> But this won't happen without the creation of millions of additional jobs to do so. Construction jobs, green or not, tend to pay higher wages than people with the same amount of education can find in other industries. In the construction sector, workers with more than a high school diploma but less than a four-year college degree can earn middle-class incomes. See Figure 1.5.

## Green Manufacturing for Green Construction

HITT Contracting is one of the largest commercial builders in the Mid-Atlantic region and a leader in the burgeoning market of green construction (which is becoming known by an acronym, LEED, or Leadership in Energy and Environmental Design). LEED certification, according to the Natural Resources Defense Council, "is the recognized standard for measuring building sustainability."<sup>46</sup>

Throughout the recession, HITT has seen a boom in LEED-certified projects. In August 2009, HITT project manager Christian Zazzali gave Bread for the World Institute a tour of a large office building in Northern Virginia that HITT had nearly completed. He explained how LEED standards are now affecting the U.S. construction industry and by extension the manufacturing sector.

Fresh from a meeting the day before about new LEED requirements,



A view of the atrium in the Catholic Relief Services headquarters building in Baltimore, MD. The building is LEED-certified by the U.S. Green Building Council.

Zazzali reeled off the latest information about the rapid growth of LEED converts. “Hundreds of towns, counties, and cities are now requiring all new building to be LEED certified. Dozens of universities require it. Nineteen federal agencies now require some type of LEED certification. You have to update the numbers practically every week to stay current.”

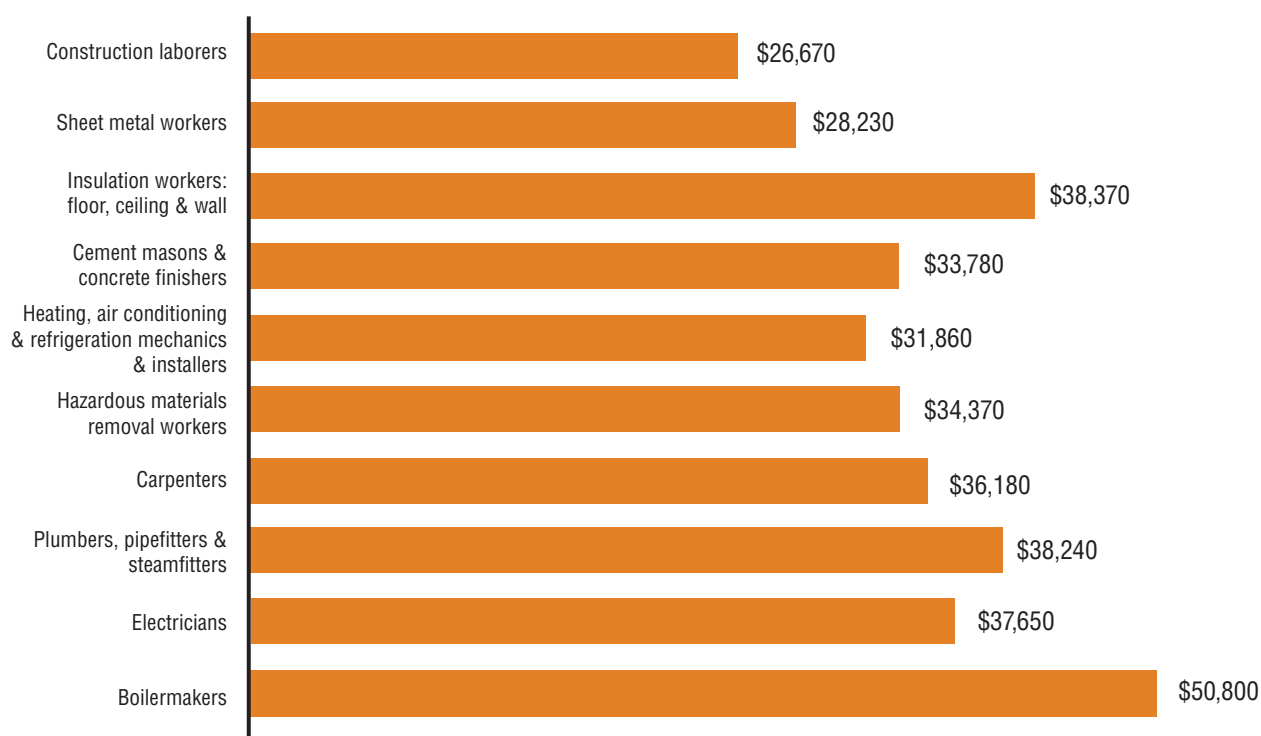
There are four levels of LEED certification—certified, silver, gold, and platinum—based on a system of points awarded for a building’s sustainability. Points can be earned for the building’s energy efficiency as well as for its materials and where they are manufactured. The LEED rating system requires that at least 20 percent of the construction materials be manufactured within a 500-mile radius of the building. This is intended both to support the regional economy and to lower the building’s carbon footprint by minimizing shipping over long distances.

For manufacturers of products used in building construction, success could start to sound a lot like the real estate mantra: location, location, location. A city like Birmingham, AL, never before known as a green hub, is suddenly considering the economic development prospects of its location—within 500 miles of 15 states.<sup>47</sup>

The map is wide open for now. Opportunities in green manufacturing abound, according to Zazzali, because as he says, “You probably have a greater chance of winning the lottery than you do of walking into a commercial office building that is LEED certified.” Nonetheless, he appears confident that green suppliers for his projects will be available within the 500-mile limit.

**Figure 1.5 Jobs At-A-Glance: Energy Efficiency**

This chart depicts median national wages for selected middle-skill occupations in the residential building construction industry.



Source: Center on Wisconsin Strategy, The Workforce Alliance, and The Apollo Alliance (2008). Greener Pathways: Jobs and Workforce Development in the Clean Energy Economy.



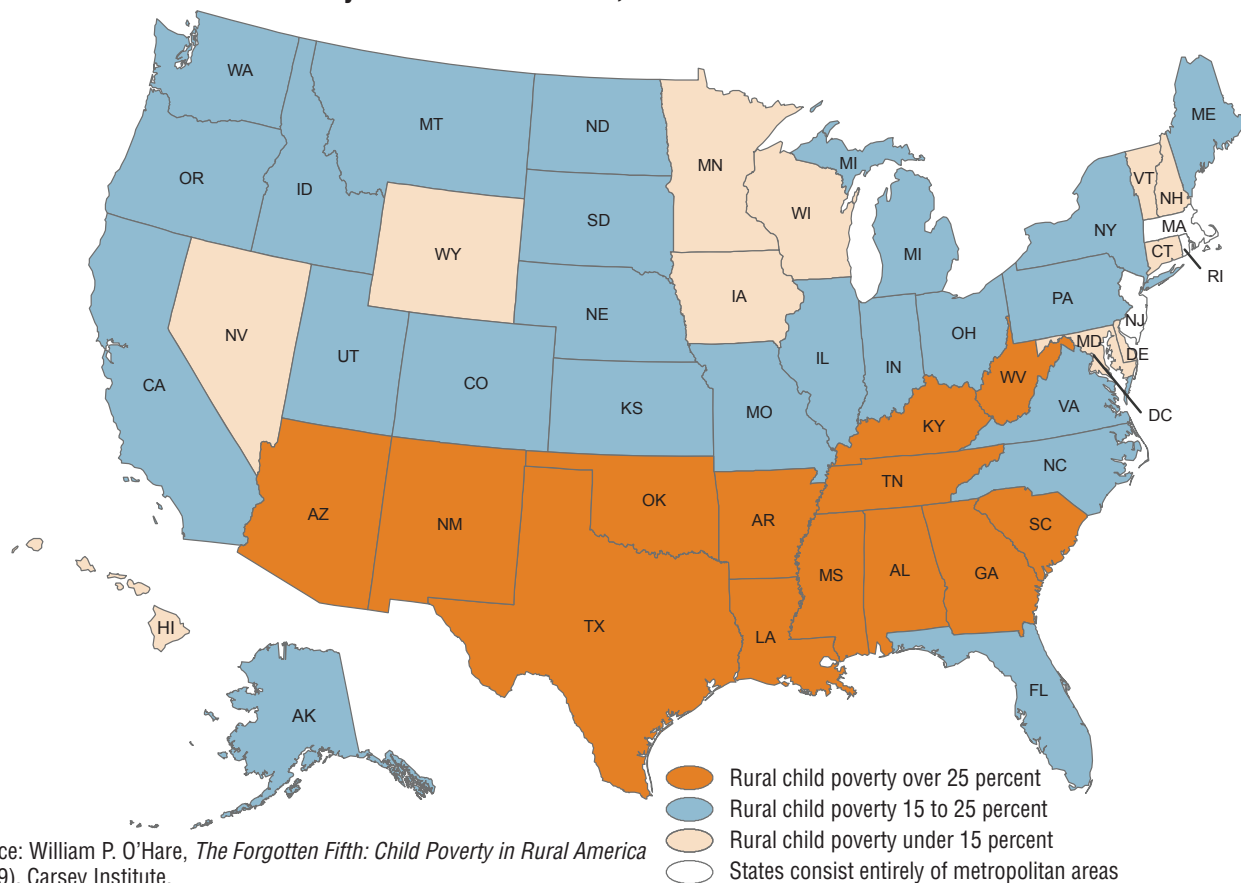
# Sustainability and Agriculture

Poverty rates in rural America are higher than in urban areas of the country. Of the 386 counties that are persistently poor (have been poor for decades), rural counties outnumber urban counties by almost 9 to 1.<sup>48</sup> Child poverty rates are higher in rural areas than urban, and rural children are more likely than their urban counterparts to live in extreme poverty<sup>49</sup> (with family income of half the poverty level or less), and to receive free or reduced-price school lunch.<sup>50</sup>

Persistent poverty wrecks communities. Outmigration depletes them of human capital; talented and ambitious people, particularly young people, leave because it is too hard to make a living and because basic services like hospitals, schools, banks, and public transportation are disappearing or barely hanging on. Overall, the rural population plummeted from 60 percent of the U.S. population in 1900 to 20 percent in 2000.<sup>51</sup> At the same time, the U.S. agriculture sector was transformed: less than 2 percent of the workforce is now employed in agriculture, down from 41 percent in 1900.<sup>52</sup>

Small-scale, sustainable farming has been on the rise in recent years, and this trend is quite likely to continue as Americans pay increasing attention to the effects of their food choices on their health and the environment. Farming remains a compelling vision of rural entrepreneurship to many Americans, whether they are rural or not. More entrepreneurs might try their hand at it if they thought it was possible to operate a successful business.

Figure 1.6 Rural Child Poverty in the United States, 2007



## On the Farm

But there is trouble on the farm—starting with the difficulty a younger generation of farmers faces in getting started and earning a living. Many young families are discouraged from pursuing a career in farming by the expense of purchasing or renting land coupled with the inherent risks associated with farming—volatile markets, expensive inputs, erratic weather. The average age of a U.S. farmer is 55.<sup>53</sup> As the baby-boom generation retires, the United States is less prepared in farming than in most other sectors for the approaching vacuum in experienced professionals.

Government farm policy has contributed to this problem. The federal government supports the farm sector—often very generously compared to other sectors. Farm policy rewards those who can farm the most land, leading to consolidation and rapidly rising land prices. High land prices are the main reason it's so difficult for young farmers to get started. “Get big or get out” was the advice of a former Secretary of Agriculture to American farmers almost four decades ago, and this philosophy still dominates policy.

Another problem is the type of farming favored by government support. U.S. farm policy is structured to reward primarily growers of five

crops: corn, soy, rice, wheat, and cotton. Fruit and vegetable farmers receive no direct government support, although the land they care for is eligible for conservation or “sustainability” payments.

Iowa is a fine example of the effects of government supports. Iowa farmers grow corn, lots of it. Indeed, “cornfields” is the first image in many people's minds when the state is mentioned. But Iowa's farmers grow little else. Few states dedicate a greater share of land to the production of food, and yet nearly 90 percent of the food Iowans consume comes from out of state. Because of federal commodity payment policies, it simply makes little economic sense for Iowan farmers to grow anything but corn.

U.S. farm policies urgently need reform. The archetype of the family farmer is commonly used as a bulwark against any significant changes in farm policy. But agriculture in the United States is an industry, a sophisticated enterprise that's a far cry from the wistful images of the historic farmstead. The family farm is held up to U.S. taxpayers as the norm, but special interests with a lucrative stake in preserving the current system are behind this image.

A common justification for government support to farmers is that it benefits rural communities. Yet the areas of the country where government supports to farmers are most concentrated are not thriving communities



Family farms come in all sizes from 10 acres or less to tens of thousands of acres.

whose residents enjoy a high standard of living. Consolidation has contributed to the steady outmigration of people from farm communities and the weakening or disintegration of those communities, a subject explored more thoroughly in Bread for the World Institute's 2007 Hunger Report, *Healthy Food, Farms, and Families*. Farmers who receive large government payments are living well, but not the rest of their communities. "Per capita income in the farm-dependent counties of Iowa, Kansas, Minnesota, Nebraska and the Dakotas is less than three-fourths of income in the region's metropolitan counties," reports the Center for Rural Affairs, and "poverty rates are more than half again as high."<sup>54</sup>

**If climate change continues unabated, we can expect turbulent conditions in the U.S. food system.**

## A New Era Could Be On the Way

U.S. farm policy subsidizes the production of cheap calories instead of healthy foods. This explains how as a country, we are getting fatter and hungrier at the same time—a seeming contradiction that is borne out by statistics.<sup>55</sup> It's even the same people who are most at risk for both hunger and obesity. One in three U.S. children born since 2000 is at risk of contracting Type-2 diabetes, a diet-related condition associated with being overweight. Most of these children are poor.<sup>56</sup> Meanwhile, food insecurity—a technical term for living with the ever-present threat of hunger—has increased by 25 percent since 2000.

Is cheap food really cheap? According to the Centers for Disease Control and Prevention, the annual costs of treating obesity and diabetes are more than \$250 billion.<sup>57</sup> Other researchers estimate that obesity accounts for 30 percent of the rise in health care costs in the United States.<sup>58</sup> The costs of treating other chronic diseases associated with diet, such as heart disease and certain types of cancers, must also be considered.

Michael Pollan, author of a number of books on the U.S. food system, says, "Cheap food is going to be popular as long as the social and environmental costs of that food are charged to the future. There's lots of money to be made selling fast food and then treating the diseases that fast food causes. One of the leading products of the American food industry has become patients for the American health care industry."<sup>59</sup>

Health care reform, covered in more depth in Chapter 2, may make it difficult to ignore the consequences of our national agriculture policies. "When health insurers can no longer evade much of the cost of treating the collateral damage of the American diet," says Pollan, "the movement to reform the food system—everything from farm policy to food marketing and school lunches—will acquire a powerful and wealthy ally, something it hasn't really ever had before."<sup>60</sup>

Another reason that existing farm policies are becoming ever more unsustainable is climate change. If climate change continues unabated, we can expect turbulent conditions in the U.S. food system. The food system is a top



A migrant worker harvests grapes in the Shenandoah Valley of Virginia.



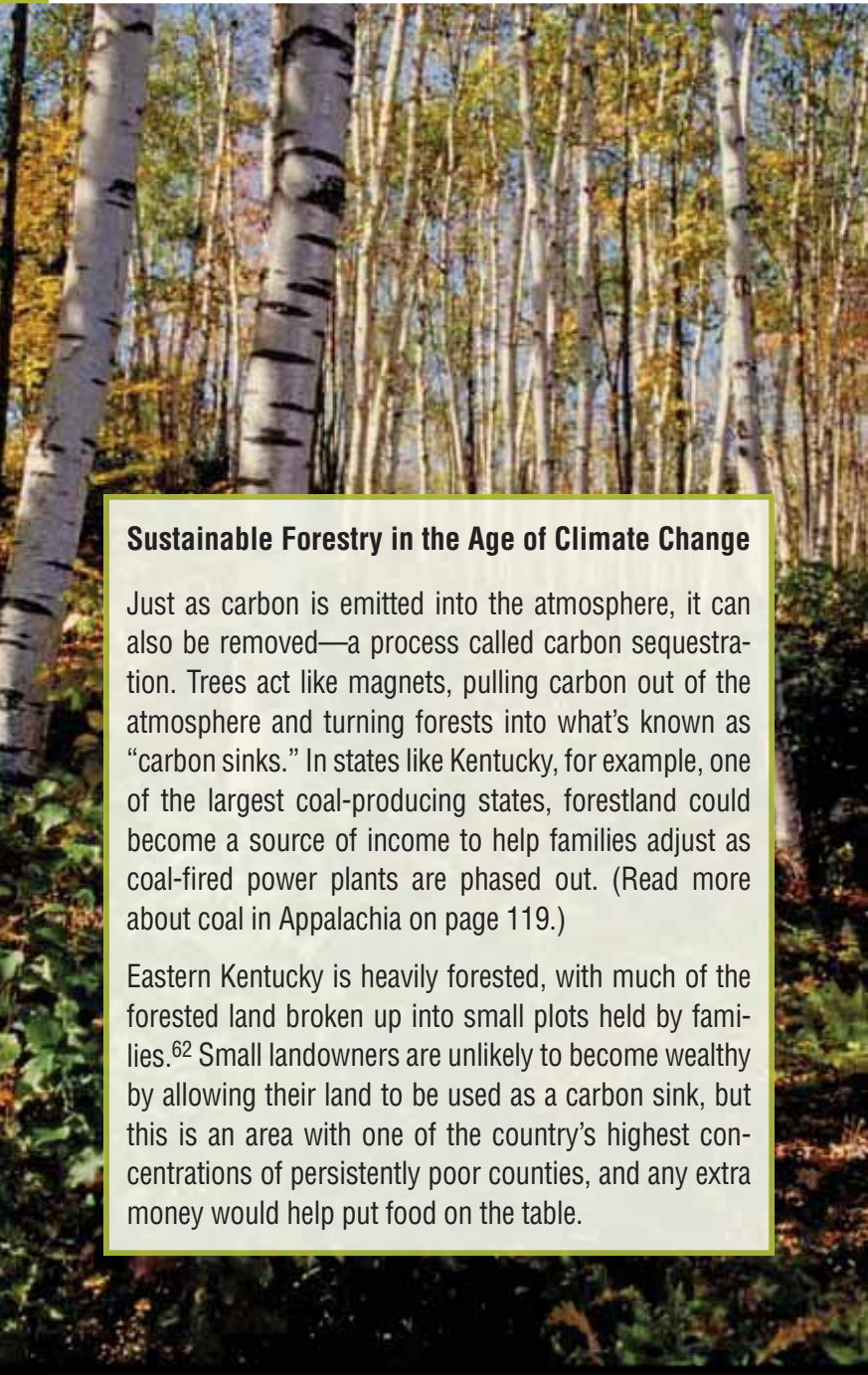
user of fossil fuels, second only to cars, and it is emissions from fossil fuels that are accelerating climate change.<sup>61</sup> Petroleum is used at every stage of the industrialized food chain. It's the base of the fertilizers and pesticides required to grow food, and it's used throughout the transport of crops from

fields to grain elevators to processing plants to supermarket shelves. In 2008, the soaring cost of food around the world and here in the United States was due partly to a spike in oil prices.

Food prices eventually stabilized and then began to drop as the demand for oil fell with the onset of the global recession. But it's unlikely that oil will remain cheap permanently. Once the recession is behind us and the world economy has another growth spurt, oil prices will begin to rise as demand outstrips supply. Coming to grips with our dependence on fossil fuels must include the agricultural sector. One can hardly argue that other sectors of the economy must change but agriculture can be left alone.

"What taxpayers and farmers really want are profitable farms that protect the environment and people," writes Loni Kemp, a co-chair of the National Campaign for Sustainable Agriculture. U.S. farm policy can help to achieve both objectives by supporting more sustainable forms of agriculture and emphasizing conservation practices instead of overproduction. Restructuring in this way offers a range of benefits. It could make it viable for more people in rural America to farm. The U.S. food system would be more diverse and healthier. Water quality, air quality, and soil quality would all improve. Emphasizing conservation practices could give a strong boost to a burgeoning local food movement and reduce agriculture's carbon footprint by lowering the distances foods are shipped from field to market.

Farm communities in the United States might then become places where more people seek to live, rather than places they feel it necessary to leave to earn a living, and this could help usher in a new era of rural growth, reducing hunger and poverty along the way.



### Sustainable Forestry in the Age of Climate Change

Just as carbon is emitted into the atmosphere, it can also be removed—a process called carbon sequestration. Trees act like magnets, pulling carbon out of the atmosphere and turning forests into what's known as "carbon sinks." In states like Kentucky, for example, one of the largest coal-producing states, forestland could become a source of income to help families adjust as coal-fired power plants are phased out. (Read more about coal in Appalachia on page 119.)

Eastern Kentucky is heavily forested, with much of the forested land broken up into small plots held by families.<sup>62</sup> Small landowners are unlikely to become wealthy by allowing their land to be used as a carbon sink, but this is an area with one of the country's highest concentrations of persistently poor counties, and any extra money would help put food on the table.

# Investing in the Workforce

Ask any CEO of a successful company or nonprofit organization what his or her most important assets are, and they will all say it's the people who work for them. Unless workers have the skills needed to do their jobs, the increased efficiencies promised by new technology are worth little. A nation's infrastructure is more than its roads, ports, bridges, transmission lines, and storage facilities. The human infrastructure that supports an economy is its true foundation, and the people most directly responsible for building the human infrastructure—educators, childcare workers, health care providers, and others—are what make it possible for workers to excel and the nation's economy to continue growing. Countries prosper and flourish according to the structures they build to develop and sustain their human resources.

But the support systems for the U.S. workforce are critically underdeveloped in key areas. For example, the most important period in human development is the early years of life. A 2009 study by the Organization for Economic Cooperation and Development (OECD), a body representing 30 countries with advanced economies, revealed that the United States spends one-third less on children between ages one and six than the average spent by other OECD countries.<sup>63</sup> In particular, other advanced economies invest far more resources in childcare and early education programs, ensuring that they stay competitive in a global economy. But the United States tries to get by on the cheap. Childcare and early education workers barely earn enough to raise their own families out of poverty. It's possible to improve the quality of child care and early education and help the people who do this important work earn a decent living.

Direct-care work is one of the fastest-growing job fields—and one of the worst-paid. These workers care for seniors and sick, injured, or permanently disabled people. Many direct-care workers earn less than minimum wage, and an alarming number go without health insurance in spite of being health care providers themselves. The number of direct-care jobs is expected to double in the coming years as baby boomers retire and live longer. Improving the pay and benefits of direct-care workers will help all Americans since these workers help slow the rising rate of health care costs.



Rick Reinhard

**National investments in the workforce should begin early in life, for example, child care and preschool.**

## Childcare and Early Education

Research suggests that inequalities may be reduced by providing quality care and education to young children—the younger the better, say the leading researchers. Studies have repeatedly shown that low-income children who receive quality childcare starting at a young age score higher on achievement tests, graduate from high school at higher rates, and experience fewer behavioral problems.<sup>64</sup> The biggest return on investment in education appears to be at the preschool level. Economist Robert Lynch argues that public investment in early childhood education pays for itself within a couple of decades by boosting lifetime earnings, increasing productivity, and decreasing rates of criminal misconduct.<sup>65</sup> Jack Shonkoff, director of the Harvard Center on the Developing Child, puts it more bluntly: “The foundation of all social problems later in life takes place in the early years.”<sup>66</sup>

Early childhood care and education services also make it easier for parents (mainly mothers) to participate in the workforce. In the past 40 years, one of the most profound changes in the U.S. economy has been the enormous influx of women into the workforce. But in some ways, the U.S. economy operates as if this change had never happened—for example, by having no requirement for paid maternity leave. Out-of-date childcare policy is another area that stands out. Among industrialized countries, the United States invests the least in early childhood care and education services—0.5 percent of GDP compared to anywhere between 2 and 6 percent in European countries.<sup>67</sup> U.S. childcare policies put us decades behind other industrialized

**Table 1.1 Expected Fiscal Benefits from Expanded Prekindergarten Programs**

|  | Massachusetts        | Wisconsin            | Ohio   | Louisiana            |
|--|----------------------|----------------------|--|----------------------|
| <b>Annual cost per child</b>                             | <b>\$6,500</b>       | <b>\$6,445</b>       | <b>\$5,900</b>                                 | <b>\$7,056</b>       |
| Target population  | 3- and 4-year-olds   | 4-year-olds          | An additional 40% of 3-year-olds for two years | 4-year-olds          |
| Total additional Pre-k Investment                        | \$578 million        | \$207 million        | \$482 million                                  | \$120 million        |
| <b>Share of New Prekindergarten Investments Recouped</b> |                      |                      |  |                      |
| School system cost savings                               | 36%                  | 68%                  | 50%  | 77%                  |
| Tax revenues   | 20%                  | 23%                  | 29%  | 51%                  |
| Criminal justice savings                                 | 50%                  | 69%                  | 78%  | 85%                  |
| Health expenditure savings                               | 8%                   | 3%                   | 0%   | 12%                  |
| Welfare expenditure savings                              | 5%                   | n/a                  | 5%   |                      |
| Total benefit  | \$683 million        | \$339 million        | \$782 million                                  | \$270 million        |
| <b>Net benefit</b>                                       | <b>\$105 million</b> | <b>\$132 million</b> | <b>\$299 million</b>                           | <b>\$150 million</b> |
| <b>Benefit/Cost Ratio</b>                                | <b>1.18</b>          | <b>1.64</b>          | <b>1.62</b>                                    | <b>2.25</b>          |

Sources: Clive R. Belfield, “The Fiscal Impacts of Universal Pre-K: Case Study Analysis for Three States,” Working Paper No. 6 (Washington, DC: Invest in Kids Working Group, March 2005), Table 4, page 19; Clive R. Belfield, An Economic Analysis of Pre-K in Louisiana (Washington, DC: Pre-K Now, June 2005), Chart 2, p. 9; Clive R. Belfield and Dennis K. Winters, The Economic Returns to the Education System from Investments in Four-year-old Kindergarten for Wisconsin (Washington, DC: Pre-K Now, 2005), Table 4.1, p. 14.



countries in supporting our workforce in ways that boost productivity and help workers make ends meet and care for their families.

The lack of adequate public support for childcare places heavy burdens on low- and middle-income families. Of all mothers with children younger than five, 70 percent are working. A smaller percentage—but still the majority—of mothers with a child less than a year old are working.<sup>68</sup> In 1973, one minimum wage income was enough to raise a family above the poverty line. Such minimum wage purchasing power is long gone. High costs of living and stagnant wages require low-income families to combine two or more incomes to stay out of poverty. “Even with two people in the workforce, after they pay their basic expenses, today’s two-income family has less cash left over than its one-income parents had a generation ago,” writes Elizabeth Warren, author of *The Two-Income Trap: Why Middle Class Mothers and Fathers Are Going Broke*.<sup>69</sup> Middle-income families find themselves stretched just trying to live in a neighborhood where their children can attend a good school.

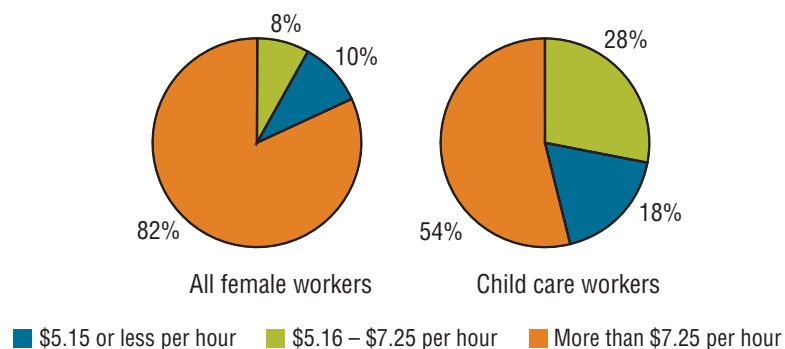
President Obama says he is committed to raising the number of children that receive early education. Hardly anyone in Congress has expressed disagreement with the idea that early education is important, but so far progress has been slow. While there is growing public recognition and consensus on the importance of early education, debates continue about how exactly to best ensure that families have access to high-quality early learning opportunities.

For example, although in recent years states have expanded funding for prekindergarten, primarily for four-year-olds and in some cases three-year-olds, many advocates emphasize the need for a comprehensive approach to early childhood that addresses the needs of infants and toddlers too. Discussions continue about how to make childcare affordable for low- and moderate-income families, how to most effectively encourage improvements in early care and education programs, and how to ensure that various resources and programs are coordinated to meet the comprehensive and diverse needs of children and their families.

Lack of sufficient resources presents an overarching challenge to the goal of providing access to affordable, high-quality early care and education. What’s needed is a reconceptualization, as Mildred Warner of Cornell says,



Figure 1.7 **Female and Child Care Workers by Minimum Wage Categories, 2005**



Source: Carsey Institute, Policy Brief No. 7, Summer 2007.

## BOX 1.2 JOB TRAINING, HUNGER RELIEF, AND A NEW START IN THE NATION'S CAPITAL

Mornings at DC Central Kitchen (DCK) start at 6:00 a.m.—making the coffee, tea and sandwiches served to homeless people who live on the streets of the District of Columbia. The men and women who prepare the food and drive the vans and serve people are participants in DCK's 12-week Culinary Job Training Program. At the end of the program, they hope to land a job in the restaurant industry. Some may soon be working under the sous chef of one of the city's finest restaurants. For now, they are distributing morning sandwiches to homeless people and enjoying the opportunity to do so. More than a few have been homeless themselves.



One of the trainees is named Michael. Forty-three years old, he has spent more years of his life than he wants

to recall on drugs. He has been to prison twice on drug offenses. He's drug-free now and praises DCK's job training program for helping him to turn his life around. Michael has a wife and an adult son, and he breaks into a smile as he talks about gaining the rest of his life back, and the chance to make up for the times things went wrong while he was younger and less mature.

In addition to learning the skills of the culinary trade, the trainees meet daily for self-empowerment sessions. These are private sessions led by a professional facilitator. Confidentiality is essential because the emotions expressed in the meetings are cathartic and raw.

Each person accepted into the training program has been drug-free for at least 120 days—and there are other rules. Trainees must show up on time for class every day. They have to wear the DCK uniform. They have to submit to random drug testing; anyone who fails is expelled. The intent here is less punitive and more to set high standards and encourage good behavior. Each graduate represents the program, and the self-discipline expected of them is why this program has been successful for more than 20 years. DCK invests almost \$9,000 to train each person, and there are several applicants vying for each of the 25 coveted spots in each class.

Of those who graduate from the training program, 90 percent are placed in jobs right away, with a starting salary averaging \$11.50 per hour. In 2008, in spite of the recession, two-thirds of the graduates were still employed a year later.

In 2008, DCK served 1.75 million meals. Most of the food is donated from farms, restaurants, hotels, and other food-service sites. Meals are provided daily to more than a hundred social service agencies that feed homeless people, ex-offenders, and disadvantaged youth. The money these agencies save by not having to provide their own meals allows them to invest in services to help their clients. DCK also feeds children in federally funded after-school programs and through the Summer Food Service Program.



DCCK was built on the ethic that nothing has to be wasted. Neither food, nor people. Using hundreds of thousands of tons of donated food each year, DCCK is part of the community food security quilt that covers one of the poorest cities in the nation. Just as important, it recycles lives by offering people opportunities, often people who had been written off by others.

DCCK is about the healing powers of food in body and soul. People who were formerly hungry are taking care of those who are presently hungry. It isn't hard to pick up on the satisfaction they feel doing for others as others have done for them. "The Kitchen succeeds," says Robert Egger, founder and president of DCCK, "because the people we help now understand they are needed."

treating "expenditures on early education as [economic] investments, changing the sign from negative to positive in national fiscal debates."<sup>70</sup>

Women make up approximately half the U.S. workforce. In the job sectors discussed earlier in this chapter, women are a smaller percentage of the workers than men. In the early childhood care and education sector, women are the workforce. Women work in farming and construction and assembly line manufacturing, but statistics from the Department of Labor indicate that these sectors remain predominantly male. In fact, women make up only 9 percent of the construction workforce.<sup>71</sup> Within the early care and education sector, women make up 94 percent of childcare workers and 98 percent of preschool and kindergarten teachers.<sup>72</sup> While it is essential to increase women's opportunities to participate in higher-paying sectors, it is also essential to improve the compensation in sectors dominated by women.

The early care and education sector is one of the most underappreciated in the U.S. economy. The average annual earnings of early care and education professionals are barely enough to lift a family of four out of poverty. Job turnover is high, a result of the dismal wages and scarce opportunities for advancement. Inevitably this leads to lower quality care and education for children. Improving the quality of early childhood care and education should begin with paying higher wages. This won't happen by itself; it will take government leadership to help society better grasp the importance of this sector. A number of states have already begun to take steps in this area, offering incentives in the form of scholarships and higher pay for childcare providers to obtain additional education.

## Direct-Care Workers

In 2009, U.S. workers experienced one of the worst downturns in the economy since the Great Depression. Job losses were the norm in almost every sector. But one sector that continued to see robust growth in spite of the recession was health care. People may decide to put off the purchase of a home or car, they may even cut back on food and other household needs, but they seldom have the luxury of scheduling a broken hip or heart attack for good economic times, or of ignoring a chronic illness or other debilitating condition.

The fastest-growing field in health care is direct-care, including nursing assistants who work in community-based settings or nursing homes, and home health aides



and personal aides who care for sick, elderly, and disabled people in their own homes. In 2006, there were more than 3 million direct-care workers, according to the Bureau of Labor Statistics. By 2016, this field is expected to add a million new jobs. Workers in this field will exceed the number of K-12 teachers (3.8 million), law enforcement and public safety workers (3.6 million), fast food and counter workers (3.5 million), registered nurses (3.1 million), and childcare providers/preschool teachers (2.2 million).<sup>73</sup>

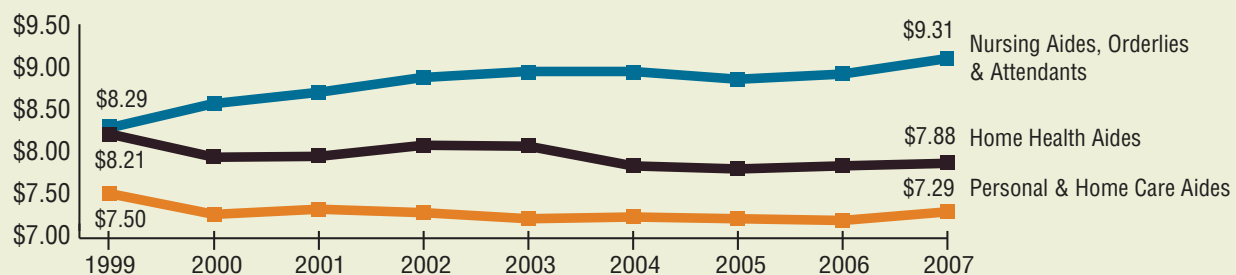
Job growth on this scale should sound like good news, but workers receive very poor pay and benefits. The average hourly wage for direct-care workers is about \$9 per hour, and more than a third of the workers do not have health insurance. According to the National Clearinghouse on the Direct-Care Workforce, 15 percent of these workers are living below the poverty line and 41 percent are enrolled in public benefits programs like SNAP and Medicaid.<sup>74</sup> Low pay and meager benefits lead to high annual turnover rates—up to 70 percent in some states—inevitably causing disruptions in patient care and inefficiencies in the use of Medicaid and Medicare funds.

Roberta Record has been a direct-care worker since 1991, working primarily with the elderly. Women compose 88 percent of the direct-care workforce. A college graduate, Roberta is also a welfare graduate who raised her daughter as a single mother after her husband died. “As a home care provider, I have to take whatever work I can get, since my hours fluctuate. That often means working every day of the week, even if for only an hour or two on some days. I take whatever work I can get because I need the pay.



Rick Reinhard

**Figure 1.8 Direct-Care Worker Median Wages Adjusted for Inflation (1999 dollars), 1999-2007**



Source: Paraprofessional Healthcare Institute.

“The people I assist, their families, the public, and my employer need me to be professional. They expect me to be professional. I would appreciate being valued for the work I do, for the difference I can make.

“Struggling to live on low wages, not having my own health needs covered because I don’t have insurance, being treated as less than a ‘professional,’ makes me have to work hard to maintain self-respect.

“There are times when I feel envious of my elder’s life experiences. I envy their having enough money to pay for basic needs like food, clothing, heat, lights, and health care, and still have savings to fall back on. I am envious when I open a refrigerator and see food that is common on a weekly basis and that appears only rarely in my house. I am envious when cupboards are full and mine are in short supply. I am envious of the work schedule that allowed some of my elders to put in 40 hours a week for years, providing economic security, when I can’t tithe to my church because my paycheck is constantly changing.”

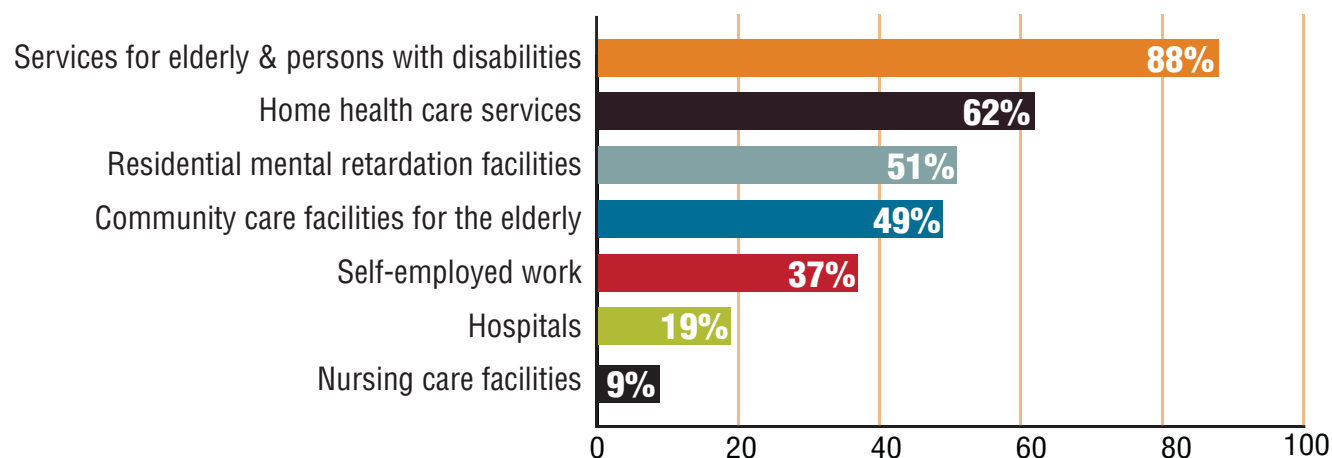
Six million people over the age of 65 require assistance—that’s two for every direct-care worker in the country. With people living longer and the baby boom generation retiring or approaching retirement, the number of people over 65 is expected to double between 2000 and 2030.<sup>75</sup> To meet the needs of this many elderly people, plus chronically ill people and people living with disabilities, direct-care jobs will have to improve. This means raising wages and benefits and providing more training and opportunities for advancement. Without such improvements, it is hard to see how it will be possible to meet the demand for new workers.

“Transforming all human-service work into good jobs would not merely replenish the supply of decent work,” writes Robert Kutner, economist and author. “It would vastly improve the quality of care delivered to the elderly at home or in institutions; to young children in pre-kindergartens or day-care facilities; and to sick people whether in hospitals, hospices, outpatient settings, or their homes.”<sup>76</sup>

Laws on the books since the 1970s have allowed employers to classify direct-care workers as companions, meaning employers are exempt from

**The number of direct-care jobs is expected to double in the coming years as the baby boomers retire and live longer.**

**Figure 1.9 Projected Change in Direct-Care Worker Employment by Selected Industries, 2006-2016**



Source: Bureau of Labor Statistics.



meeting federal standards on overtime and minimum wages.<sup>77</sup> In 2007, the Supreme Court upheld this ruling, meaning that the burden is on legislators to set new standards. Government has the leverage to set standards, as it did when rejecting the Court's decision on seeking restitution in discrimination cases, leading to passage of the "Lilly Ledbetter" Fair Pay Act.

The benefits of direct-care work extend to all of society. In her book *The Invisible Heart*, economist Nancy Folbre reinterprets Adam Smith's famous metaphor of the invisible hand.<sup>78</sup> Smith used this image to explain the common good that results when people are able to pursue their own self-interests. In Folbre's reinterpretation, the invisible heart signifies the common good that results because of the selfless work performed by caregivers, usually women, and how underappreciated this work is in the modern economy. In an earlier time, when middle-class families could get by on one income, caregivers might have been content to call themselves "companions." But for most families, those days are long past.

## Key Points in Chapter 1

**Greening the U.S. economy is good** for the manufacturing and construction sectors, which together accounted for roughly half of all the jobs lost since the recession started in 2007.

**Most of the jobs created in the coming decade** will be "middle-skill," requiring workers to have more than a high school education but less than a four-year college degree. Workforce development is crucial to ensure this group of workers have the skills that are needed.

**The construction industry could provide millions of jobs** and dramatically lower the U.S. share of CO<sub>2</sub> emissions if the nation committed to a large-scale effort to improve the energy efficiency of office buildings and housing stock.

**U.S. farm policy urgently needs to be reformed** in ways that promote sustainable agriculture, and this could lead to multiple benefits: making farming a viable occupation for more people, boosting rural economic development, improving the environment, and increasing the amount of healthy foods people eat.

**Jobs in caregiver fields tend to pay extremely poor wages** and offer meager benefits. Given the increasing importance of these jobs, for example, in holding down rising health care costs, it is hard to see how the nation can adequately address the growing demand for these services without improvements in job quality.

In addition to home-based care, direct-care workers provide hands-on care in hospitals, clinics and other facility-based settings.



# CHANGES IN TAX POLICY FOR WORKING FAMILIES AND IMPLICATIONS FOR ENDING HUNGER

by Jodie Briggs and Michelle Chau

National Center for Children in Poverty, Columbia University, Mailman School of Public Health



One in five of America's children are threatened by hunger and food insecurity.<sup>1</sup> Recognizing the urgency of the problem, President Obama has pledged to end child hunger by 2015. Achieving this goal will require a committed and sustained federal effort to support children and families. It will also require a willingness to look for novel policy solutions.

An end to hunger can start with a change in tax policy. Families struggling to provide for their children need to maximize their earnings—a task not easily accomplished under current tax policy.

While many tax credits and deductions are available to lower tax burdens, low-income filers often find themselves excluded from the best and biggest credits. Unfortunately, American tax policy imposes a heavy burden on those who struggle to make ends meet.

## Current Tax Policy

The American Recovery and Reinvestment Act of 2009 (ARRA) has ushered in valuable short-term measures that increase tax breaks for low- and moderate-income families: one new credit—the Making Work Pay Credit—and expansions of two existing credits—the Earned Income Tax Credit (EITC) and the Child Tax Credit. A key feature of all three credits is that they are at least partially refund-

able, so low-income families have access to them (see Box 1).

But even with these changes, tax breaks remain heavily weighted towards wealthy people. For example, the mortgage interest tax deduction is the largest tax deduction, costing the federal government about \$70 billion as compared to only \$40 billion spent on the EITC.<sup>2</sup> To qualify for the mortgage interest deduction, families must be homeowners and must itemize their deductions—criteria that completely exclude many lower-income families from benefits. Even among homeowners, wealthier families can claim larger deductions because they have more expen

### BOX 1: Provisions in the American Recovery and Reinvestment Act of 2009 (ARRA) lessen the burden for low- and moderate-income families

- The *Making Work Pay Credit* provides a refund of up to \$400 (or \$800 for couples) in Social Security payroll taxes for taxpayers earning up to \$95,000 a year (\$190,000 for couples). Millions of low- and moderate-income families pay more in payroll taxes than income taxes, and this measure provides them with important relief.
- The expansions to the *Earned Income Tax Credit* (EITC) allow families with three or more children to receive a somewhat larger credit; they also reduce the marriage penalty by increasing the income limit for married filers. The EITC has long been recognized as one of the country's most effective anti-poverty programs, both encouraging employment and putting money back in the hands of families who are struggling despite their hard work. These measures build on this successful program.
- The expansion of the *Child Tax Credit* extends the credit to more low-income families. Families with children can now qualify for a portion of this credit once their income exceeds \$3,000 a year, as opposed to \$12,550 under prior law.

# CHANGES IN TAX POLICY FOR WORKING FAMILIES AND IMPLICATIONS FOR ENDING HUNGER

sive homes (the mortgage interest tax deduction may be claimed on up to \$1 million in debt for up to two homes). Finally, the actual dollar value of a tax deduction depends in part on the filer's tax bracket, with larger benefits going to those in higher brackets (see Box 2).

Other examples of tax breaks that benefit wealthier taxpayers far more than their less wealthy counterparts include exemptions for retirement savings and employer-based health insurance costs, as well as lower tax rates on capital gains than on earnings. In all, the federal government spends roughly \$750 billion a year in tax expenditures, with the vast majority benefiting families at the higher end of the income scale.<sup>3</sup>

As a result, tax expenditures raise the after-tax income of the wealthiest families—those in the top 20 percent of the income range—by 13 percent. Families at the bottom and middle of the income range, on the other hand, see an increase in after-tax income of just 7 percent as a result of tax breaks.<sup>4</sup>

## Proposed Reforms

Tax breaks for low-income filers without (custodial) children are especially limited. To qualify for the EITC under 2009 provisions, for example, single filers not claiming children must have income below \$13,000 a year, and maximum annual benefits are limited to \$457. For families with two or more children, on the other hand, the income limit is about \$43,279 and the maximum benefit \$5,028. Proposals to expand the EITC for workers without children have gained momentum in policy discussions but have not yet been enacted.

Increasing the income limit and doubling or tripling the benefit for childless tax filers would provide important support to millions of low-wage workers, many of whom are noncustodial parents with financial obligations to their children. Based on the effects of the expansion of the EITC for families with children, there is evidence that such an increase would be a powerful work incentive for this important population. Past expansions of the

### BOX 2: Structuring Tax Breaks: Deductions versus Credits

**Deductions** are subtracted from income before taxes are calculated. Their value depends in part on the filer's tax bracket. For example, a \$100 deduction is worth \$10 to someone in a 10 percent tax bracket and \$20 to someone in a 20 percent tax bracket. Deductions do not provide any benefits to those whose income is too low to owe taxes.

**Credits** are subtracted from filers' tax liability after taxes are calculated. Thus their value does not automatically vary based on tax bracket.

- Nonrefundable credits provide benefits only up to the level of a filer's tax liability. No benefits are provided when income is too low to owe taxes.
- Refundable credits offset families' tax liability and provide a refund to those whose income is too low to owe taxes.

EITC have contributed to an increase in employment and a decrease in poverty. In fact, research has shown that the EITC lifts more children out of poverty than any other government program.<sup>5</sup>

Changes instituted under ARRA represent an impressive step in equitable tax reform, and while they are temporary under ARRA, President Obama's 2010 budget proposes making them permanent. This would improve families' bottom line, but to have an even greater impact, we propose three additional changes: 1) make the Child and Dependent Care Tax Credit (CDCTC) refundable, 2) make the Child Tax Credit (CTC) fully refundable, and 3) substantially increase EITC eligibility limits and benefit levels for filers not claiming children.

These changes could provide substantial assistance to struggling families. Figure 1 shows the potential impact of the first two proposals for a single parent working full-time at the minimum wage; it also illustrates the value of the temporary reforms adopted under ARRA. The first column shows the family's tax benefits under federal

# CHANGES IN TAX POLICY FOR WORKING FAMILIES AND IMPLICATIONS FOR ENDING HUNGER

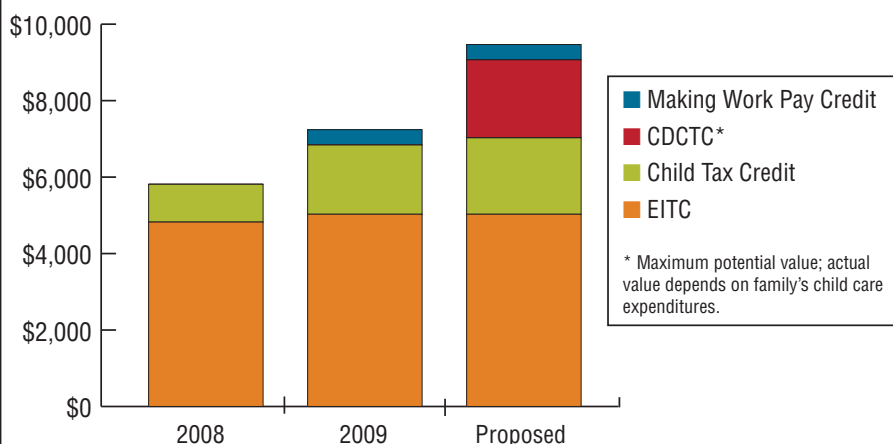
rules in effect for tax year 2008, the second shows benefits under rules in effect in 2009 (with the ARRA reforms), and the third shows benefits if the CDCTC and CTC were made fully refundable. The CDCTC alone could provide about \$2,000 to offset the cost of child care, depending on the family's child care expenses.<sup>6</sup> Coupled with the EITC, a fully refundable CTC, and the Making Work Pay Credit, the total value of the family's tax credits could exceed \$9,000.

Moreover, while these reforms would augment the resources of a full-time minimum wage worker, they would have an even greater impact on those struggling to reach full-time status. Figure 2 shows the impact of the same reforms on a single parent with two children working half-time at the federal minimum wage. For this family, the proposed changes nearly double the value of available tax credits. When the CTC is fully refundable, its value jumps from nearly \$700 to \$2,000. Additionally, the currently non-refundable CDCTC adds up to \$2,100 when made refundable.

Improving upon the ARRA by making its temporary changes permanent and enacting the additional reforms proposed above would benefit all Americans. Tax policies that support families and encourage work help reduce child hunger by providing families with more resources. Improved policies also bring benefits to the country as a whole—thriving families are better equipped to contribute positively to the workforce and economy.

**Figure 1 Value of Federal Tax Credits**

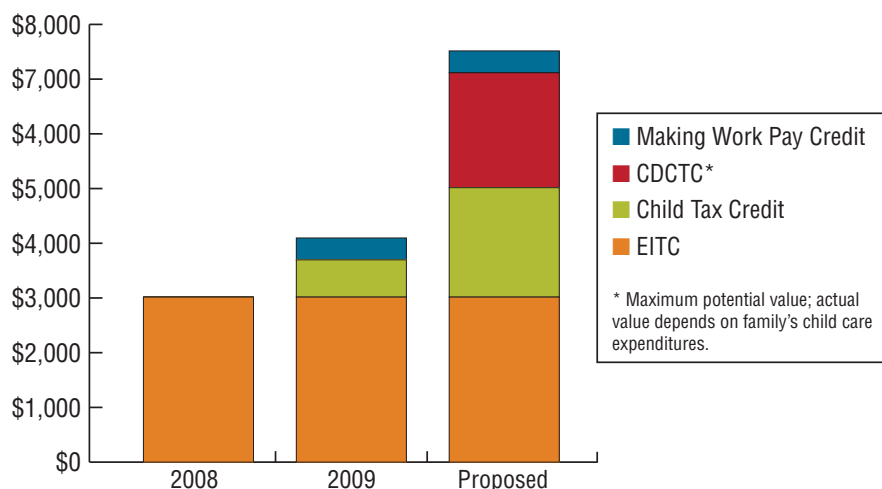
Single parent with two children, working full-time at minimum wage



Source: National Center for Children in Poverty.

**Figure 2 Value of Federal Tax Credits**

Single parent with two children, working half-time at minimum wage



Source: National Center for Children in Poverty.

*Jodie Briggs is a policy associate and Michelle Chau a research analyst with the National Center for Children in Poverty (NCCP), Columbia University, Mailman School of Public Health. They contribute to NCCP's Making Work Supports Work initiative, which analyzes the current patchwork of federal and state programs that assist low-income working families and explores policy alternatives.*



**People's potential in life is heavily determined by what happens to them as young children.**



## Chapter 2

# Pulling Inequalities Up By the Roots

THE LATEST DATA ON INCOME INEQUALITY IN THE UNITED STATES INDICATES that the gap between the rich and everyone else is greater than at any time since 1928.<sup>1</sup> While all inequalities raise questions in an egalitarian-minded society like ours, it's not immediately self-evident why income inequality is a problem. The reality is, income inequality is a very big problem for anyone concerned about reducing poverty and giving children born and raised in poverty a real chance of prospering later in life.

By the time children start kindergarten, socioeconomic inequalities are already driving outcomes in life. Inequalities begin as early as the womb. A mother's battle with hunger while pregnant has consequences for the baby, who faces higher risks of low birth weight and infant mortality. Children who grow up knowing hunger are more likely than their well-nourished peers to suffer chronic health problems, exhibit antisocial behaviors, do poorly in school, drop out of school, have difficulty finding and keeping a job as adults, become entangled in the criminal justice system, and depend on government assistance programs.<sup>2</sup>

Society's indifference to child hunger conveys how little it cares about its own future in a way nothing else can. Apart from the enormous loss to individuals, society also pays for child hunger. Child poverty, the primary cause of child hunger, is estimated to cost society \$500 billion each year.<sup>3</sup>

The latest research shows that socioeconomic mobility exists in the United States. But at the top and bottom of the income scale—above the 90th percentile and below the 10th percentile—the odds are that children will end up in the same place as their parents.<sup>4</sup> Those at the top are lucky; wealthy people



Rick Reinhard

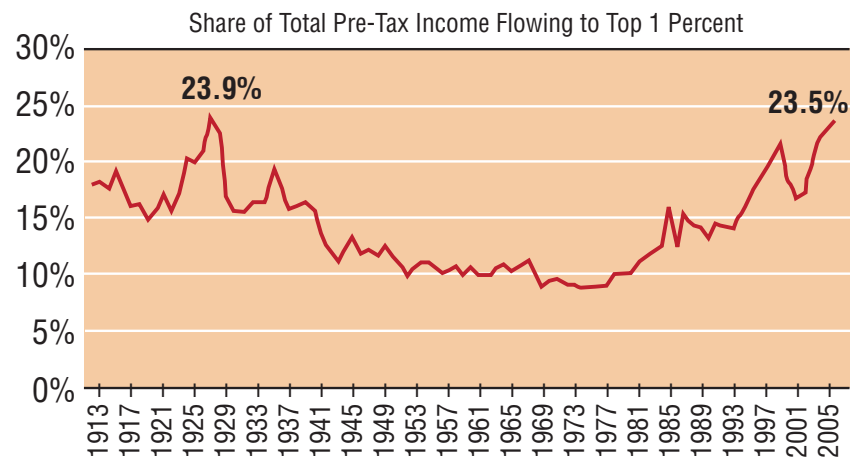
**Society's indifference to child hunger conveys how little it cares about its own future in a way nothing else can.**

will continue to pass their assets on to their children. The problem, of course, is providing real opportunity for mobility to those born into the poorest 10 percent. No one's future should be predetermined by his or her circumstances at birth.

This chapter is not advocating that Americans' incomes be leveled and all inequality eliminated. Eliminating inequality is not possible and may not even be desirable. People's abilities are extraordinarily varied. Inequality is the product of a myriad of factors. These include everything from individual characteristics like intelligence, creativity, and ambition to environmental factors—like whether one grows up in a neighborhood with excellent schools or a neighborhood where the schools' main skill seems to be eroding children's potential.

Government policies can improve the situation of low-income families by enabling them to build assets and provide their children with the means to break free of poverty once and for all. Unfortunately, many of the policies most important for building assets currently work against low-income families' efforts. This chapter analyzes policies related to housing, tax credits and wealth-building savings programs, and health care and education. There is consensus that these are areas where public policy can spur intergenerational mobility.<sup>5</sup>

**Figure 2.1 Income Share of Top 1 Percent of Households at Highest Level since 1928**



Source: Piketty and Saez, based on IRS data.



Rick Reinhard



# Housing Policy: The Shaky Foundation

The deep recession the United States entered in 2007, sometimes described as the Great Recession,<sup>6</sup> started with the deflation of a housing bubble. To understand what went wrong in the housing market, one has to understand the role of subprime mortgage lending—loans designed for borrowers with blemishes on their credit records. In 2005 and 2006, subprime mortgage loans made up 23 percent of all home loans written. Yet as recently as the mid-1990s, they were an insignificant share of the mortgage lending market.

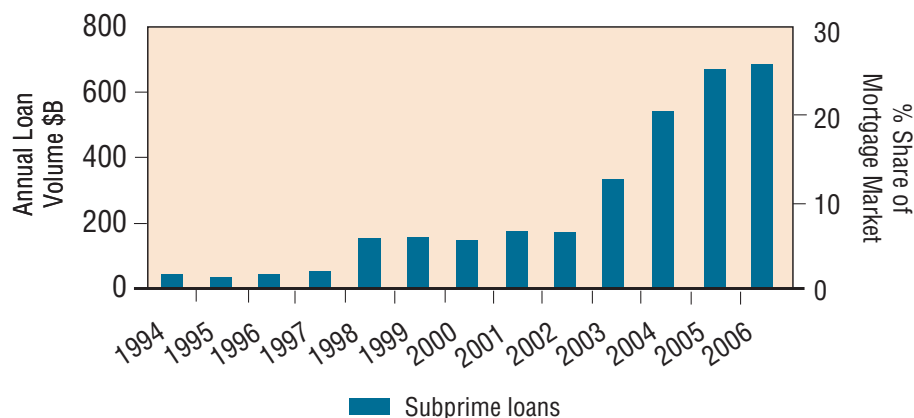
Because lenders are taking on added risk by lending to people with weaker credit, interest rates on these loans are higher than the prime rate. Originally, subprime loans were handled by local nonprofit organizations and community banks, which screened borrowers carefully to make sure they were capable of meeting their mortgage payments. If borrowers started to fall behind, lenders worked with them to minimize the risk of their defaulting on the loan. In most cases, default rates were lower than for prime-rate borrowers.<sup>7</sup>

In the 1990s, Congress deregulated real estate lending markets to enable other kinds of institutions to expand into subprime lending. By the early 2000s, subprime lending looked nothing like before. The neighborhood nonprofits that had been doing such a responsible job were crowded out of the market, replaced by anyone who wanted to call himself a mortgage broker. What followed could have been predicted. No longer was it necessary for borrowers to come up with the customary 20 percent down payment on a house. In the new subprime market, borrowers could get a loan with no money down. There were “NINJA” loans (No Income, No Job or Assets) and “liars’ loans” that resulted from borrowers’ being cajoled into claiming any income that looked good on the application.

In 2000, Carol Mackey of Rochester Hills, MI, a suburb of Detroit, contacted the American Equity Mortgage Company for a home equity line of credit to pay off a credit card debt and make some renovations on her condominium. A loan officer at the company persuaded her that it was in her best interest to refinance her mortgage. She did so, and soon thereafter the interest rate on the loan skyrocketed and Mackey could not afford to make her mortgage payment. Included in the fine print, but never mentioned by the loan officer, was a prepayment penalty that meant she couldn’t get out of the loan.

“My son contacted American Equity Mortgage on my behalf, and was directed to the General Counsel of the company. He explained to the General

Figure 2.2 Subprime Mortgage Market Growth



Source: Inside Mortgage Finance.



Communities of color were targeted aggressively by predatory mortgage lenders who operated with virtual impunity.

ness. It weathered the shame of its exposure before Congress and continued to make money from the same kind of loans.

Some people might argue that since this was perfectly legal, there was nothing wrong with what the company was doing. But deregulation allowed predatory lenders to ride roughshod in low-income communities with impunity. Communities of color were targeted especially aggressively by lenders. The subprime mortgage market that ensnared Carol Markey was tearing up communities of color in the early 2000s. The amount of housing wealth stripped from African American and Hispanic families has been staggering. In 2008, Bread for the World Institute published a study showing the extent to which low-income communities were saturated in subprime loans. Our study found that where poverty rates were highest, so were the percentages of homeowners with subprime mortgages.<sup>9</sup>

Counsel that he believed that I had been a victim of predatory lending practices by American Equity Mortgage. He discussed the facts of the situation and requested that American Equity Mortgage cancel the new mortgage, replacing it with a revised mortgage that reflected the interest rate of my original mortgage, blended with what a reasonable interest rate on a second mortgage would have been.

“American Equity Mortgage refused, on the basis that the mortgage loan officer stated that I had wanted to refinance my original mortgage from the outset. That is absolutely false. Why would I want to lose a perfectly good 7.5% mortgage? If I had been able to get a Home Equity Loan for \$20,000, as I had sought, all of my debts would have been paid and I would still have the \$10,000 that I wanted to spruce up my home. And I most assuredly would not be paying more than double what my mortgage payment was before this all started.”

In 2001, Mackey explained what had happened to her at a hearing before the U.S. Senate Committee on Banking, Housing and Urban Affairs.<sup>8</sup> The hearing included other victims from around the country, describing similar experiences with their lenders. American Equity Mortgage came out looking neither better nor worse than its peers in the subprime lending business.

**Table 2.1 Proportion of Subprime Home Loans by Race (2006)**

| African American families | Hispanic families | white non-Hispanic families |
|---------------------------|-------------------|-----------------------------|
| 52.44%                    | 40.66%            | 22.20%                      |

Source: Center for Responsible Lending analysis of 2006 Home Mortgage Disclosure Act (HMDA) data reported by the Federal Financial Institutions Examination Council.

## The Subprime Bomb Explodes

The subprime mortgage market is an egregious example of the impact of social and economic inequalities in the United States. To a startling extent, it was government policy that made it possible. Federal regulations essentially sanctioned the bifurcation of the credit market into a regulated prime market for people with assets and an unregulated subprime market mainly for low-income borrowers. In the subprime market, predatory lending was able to flourish; traps in the fine print like the one Carol Mackey encountered were just part of the deal. Those consigned to the subprime market either played by these rules or lived without access to credit.

Moreover, other government policies were in effect driving families into the subprime market. As the subprime market was surging after deregulation, government was slashing public housing assistance.<sup>10</sup> President Bush championed homeownership for low-income families, encouraging them to become part of what he called “the ownership society.”

But in the end, subprime lending did not increase homeownership rates among low-income families. The people most often targeted by predatory lenders were existing homeowners.<sup>11</sup> In many cases, borrowers were misled into using a subprime loan to refinance even when they qualified for a loan at the prime rate.

The rules of the subprime market were written for lenders who were reaping the rewards of high-interest-rate loans, not for the borrowers who got locked into unsustainable mortgages. The biggest investment banks on Wall Street, like Lehman Brothers and CitiBank, had previously been prohibited from selling real estate. They lobbied hard for the rules to be changed, and they entered the subprime market as soon as new regulations allowed them to.

Investment banks went beyond making money from subprime loans. They also packaged thousands of the loans into exotic financial instruments known as mortgage backed-securities and traded these around the world. Because the securities had the imprimatur of some of the largest U.S. financial institutions, traders had little reason to think what they were purchasing was really just junk, but that is basically what they were getting: securities whose collateral were loans about to go into default. Nobody seemed to care as long as housing prices were rising—not the borrowers, the lenders, the government regulators asleep at the switch, or the insurers of the securities.



Richard Lord

Homeownership is not only the most tangible expression of the American Dream, but a social good that promotes healthy families and communities.



But when prices suddenly stopped rising, the global financial system ground to a halt. It seems inexplicable now that government policymakers did not act to deflate the housing bubble before the disastrous consequences ensued. In Cuyahoga County, home to Cleveland, a city scarred by the

blight of subprime foreclosures, local authorities tried to pass statutes against predatory lending. But they were overridden by the governor who was heavily indebted to mortgage lenders for contributing to his reelection campaign.<sup>12</sup> In Washington, DC, Federal Reserve Chairman Alan Greenspan dismissed concerns by his own advisors about a housing bubble.<sup>13</sup> Recent history shows us that this must have been a bubble; housing prices were simply rising much too rapidly. The bursting of a stock bubble less than a decade earlier and the recession that followed should have made Greenspan wary of ignoring a new asset bubble. Moreover, because there were trillions more dollars of wealth tied up in the housing market than in the stock market, a recession following a housing bubble was bound to be worse.

Between 2009 and 2013, more than 8 million foreclosures are projected—that's

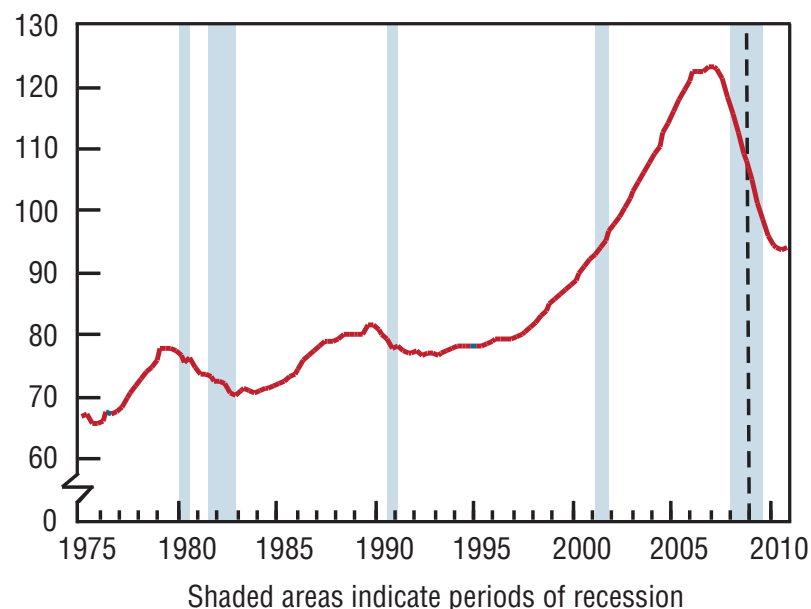
one in six houses that have a mortgage.<sup>14</sup> Subprime loans issued in 2005 and 2006, the peak years of subprime lending, have almost no chance of escaping foreclosure unless they are renegotiated. One outcome of the foreclosure epidemic has been a rise in homelessness. Homeless people are never an easy group to count, but a survey conducted by seven of the nation's leading organizations on homelessness found a 10 percent increase in the use of shelters due to foreclosures.<sup>15</sup> People in shelters are one demographic of the homeless population and the easiest to count. But shelters are often inhospitable environments for families with children. The fortunate ones are taken in by friends or relatives. Others are forced to sleep in cars, abandoned buildings, or similarly wretched places.

## Striking a Better Balance on Housing Policy

The United States needs a balanced, comprehensive housing policy that not only protects low-income families from predatory lenders but offers them access to credit and loans with favorable terms. The “American Dream” of homeownership may not sound so joyous now with record numbers of foreclosures. Yet homeownership is still a vital institution for promoting healthy families and communities. Numerous studies show that homeownership promotes financial stability and upward mobility in low-income households.<sup>16</sup>

Figure 2.3 Inflation Adjusted House Prices, 1975-2010

(Index, 2002 = 100)



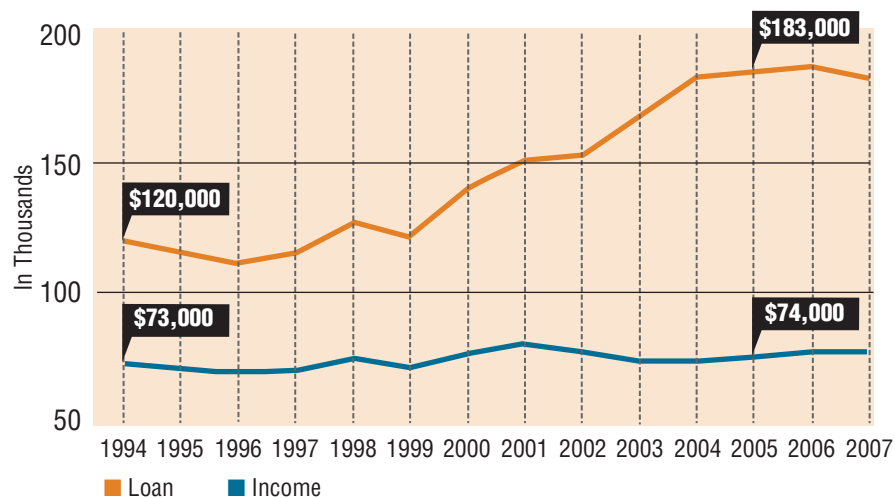
Source: Congressional Budget Office; Federal Housing Finance Agency; Department of Commerce, Bureau of Economic Analysis.

Homeownership provides financial stability to families while their home grows in value; later, they can use their home equity to get credit for other productive investments, like sending a child to college, starting a business, or establishing an adequate retirement fund. For minority groups, who have more wealth tied up in their homes than in other assets, homeownership has been the main way for older generations to pass wealth on to children and grandchildren. Rich or poor, people who own their homes want their communities to be good places to live and raise children. Homeowners are more inclined to be involved in actively maintaining the quality of their community. They are more likely to vote, participate in local government and community groups, and play leadership roles.

It is also essential to help more low-income families secure affordable rental housing. Not all families want or need to be homeowners, and no one is well served by being steered toward homeownership before he or she is ready for the financial commitment that homeownership brings. But there is simply not enough public rental housing assistance. The supply doesn't come close to meeting the demand, so families who qualify for assistance put their names on waiting lists and end up languishing there for years.

Public rental housing assistance takes two forms: unit-based and voucher-based. The difference is that families who receive vouchers can move anywhere that a landlord accepts vouchers, while families who have unit-based assistance are assigned their housing by their local government housing authority. Families use vouchers to escape dangerous neighborhoods, move their children into better schools, move parents closer to jobs, or be closer to vital services like transportation, health care, and supermarkets. Relocating to a less oppressive neighborhood has been shown to lead to lower rates of depression and anxiety, lower rates of obesity and food insecurity, and broad improvements in children's well-being.<sup>17</sup>

**Figure 2.4 Increasing Share of Income Goes to Housing**



Inflation adjusted. Total include all first-lien mortgages, not just subprime. Salary and loan numbers reflect the median, or midpoint, of all salary and loan data analyzed.

Source: Analysis performed using federal Home Mortgage Disclosure Act data acquired from the National Institute for Computer-Assisted Reporting.



Mark Fenton

## BOX 2.1 IN SOUTH FLORIDA, MORTGAGES TO BUILD AMERICAN DREAMS

by Vivian Secaida

In 2009, one in every six U.S. homes in foreclosure had a Florida address. In Miami-Dade County, with some of the highest foreclosure rates in the state, 49 percent of all mortgage loans at the time of the housing crash were subprime loans.<sup>1</sup>

Within the city of Miami, African Americans are 22 percent of the population, with many families concentrated in low-income neighborhoods like the West Grove section of Coconut Grove. Of the 3,000 residents in the West Grove, 87 percent are African American.

A fifth of the foreclosures in Miami-Dade are in Coconut Grove, despite its small population compared to other parts of the city.

to separate the majority black West Grove from the rest of Coconut Grove. In the 1960s, residents of West Grove successfully petitioned the city to tear down this “monument to racism.”

Parts of the wall remain in place today as an indelible marker of what West Grove once stood for. In the 1990s, blatant racism reared its head again in the guise of subprime lending. By now, the racist elements of the subprime debacle have been widely chronicled. What we hear less about is that alternatives existed—as they’ve always existed. Poor minority communities didn’t have to endure the nightmare of subprime lending to share in the American Dream of homeownership.

In West Grove, for example, the city of Miami and the for-profit home developer Wind and Rain partnered in a program to offer low-income families “soft-second” mortgages. Wind and Rain built modest-sized new homes designed to fit a small family. The homes were sold at an affordable price and were guaranteed a 30-year, fixed-rate mortgage. A local bank provided the first mortgage, earning Wind and Rain a small profit on each home



Within Coconut Grove are two of the key ingredients that made subprime lending such a combustible mix—poverty and racism.

In the early 1940s, the Miami City Planning Board established “a permanent dividing wall between white and colored occupancy in the north of Grand Avenue.” For the next two decades, well after the Supreme Court ruling that struck down “separate but equal” laws, the wall continued

it built, and the city of Miami then stepped in to provide the “soft-second” mortgage, up to \$40,000 of the home’s financing at zero to 3 percent interest. Families participating in the program were required to come up with \$3,000 for a down payment, and only those who appeared able to meet their mortgage payments were selected. The average income of the families who received the loans was \$20,000 per year.



“The blended rate of the first and soft-second mortgages brings the monthly payment down to about the same level a family is paying in rent and which is all that Miami’s cash-strapped working poor can afford,” says Andy Parrish, president of Wind and Rain. “But compare that to the \$800 to \$1,300 per month in Section 8 rental-voucher subsidies routinely paid out by the county to absentee landlords. That much money—\$800 to \$1,300 per month—is enough to pay the mortgage interest on both the first and soft-second mortgage, pay for insurance and cover taxes, and still give the taxpayers a *refund* of up to \$500 per month.”

Of the 15 families occupying homes that used the soft-second mortgage program, none has defaulted on the loan, unlike some neighboring homebuyers who purchased their houses with subprime loans. The soft-second program generated close to \$1 million in equity for the families involved. Unfortunately, the city of Miami has scaled back funding for “soft-second” mortgages, meaning Wind and Rain is no longer building affordable homes for people in West Grove. It is one more casualty of the housing crash.

“Any family headed by a husband and wife, each of whom works 40 hours per week, is ready to own their own home,” says Parrish. “They’ve shown the discipline and initiative to be helped to buy the one thing that will give their family a chance at financial stability—the single-family home.”

*Vivian Secaída was an intern with Bread for the World Institute during summer 2009. She is a student at Wellesley College who grew up in Miami.*

Moreover, vouchers are more cost effective than unit-based housing, according to comparison studies, yet 70 percent of housing assistance is unit-based.<sup>18</sup> In strictly economic terms, it makes sense to shift to using more vouchers.

Half of all low-income households, homeowners and renters alike, face a “severe housing cost burden,” meaning that they spend 50 percent or more of their income on housing.<sup>19</sup> You can’t ordinarily haggle with a landlord over the cost of rent from month to month. What you can do is cut back on food, walk to work instead of taking the bus, turn down the heat in winter, and/or leave a child to be watched by an older sibling instead of at a childcare center. Housing cost burdens force families to make difficult decisions about cutting back on necessities. In a comparison study by the Center on Budget and Policy Priorities, housing assistance was found to be more successful than other kinds of government assistance in helping families escape poverty.<sup>20</sup> The importance of housing policy in reducing poverty, promoting family stability, and increasing intergenerational economic mobility is very hard to overstate.



# Tax Policy: Defaulting on the Dream

Homeownership may be the apotheosis of achieving the American Dream. But the true test of whether the American Dream is alive and well is whether economic mobility is alive and well. The fact is that 42 percent of children born to parents in the bottom income quintile and 39 percent of children born to parents in the top quintile will end up in those same income brackets a generation later.<sup>21</sup> Economists call this phenomenon “stickiness at

the ends.” In other words, for a large group of people at the top and bottom of the economy, economic potential is set at birth. The American Dream of those at the bottom is too often just a dream.

Rather than working to lessen these tendencies and promote greater mobility, the U.S. tax code in effect maintains the status quo. Tax policy offers many incentives for people to act in ways considered socially desirable and to achieve their own financial security—to own a home, attend college, save for retirement, start a business, etc. Most incentives in the tax code come in the form of deductions, exemptions, or exclusions that lower the amount of taxes one

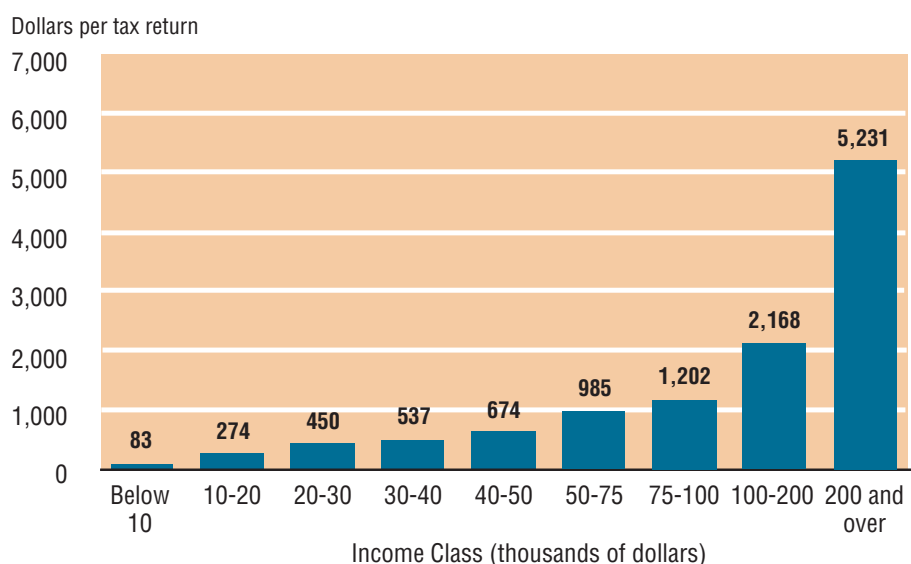
owes. Most low-income families, however, do not earn enough to have tax liability and therefore cannot take advantage of these incentives. This results in tax policy that perpetuates inequality by rewarding behavior that generates more financial security for those who already have it, while excluding those who need it most.

For example, the tax code is the primary vehicle for government support to homeowners. In 2006, the government provided \$157.5 billion in homeownership assistance. Except for \$2.6 billion in outlays for public housing programs, this money was spent on tax subsidies, primarily the home mortgage interest deduction. Most households that benefit from the home mortgage interest deduction have incomes of more than \$100,000, and are the most likely to be homeowners regardless of government incentives.<sup>22</sup>

## Refundable Tax Credits

Refundable tax credits are a way to provide assistance to people with little or no tax liability. Almost half of all children live in homes with no tax liability, of whom 80 percent are in single-parent households.<sup>23</sup> Here is how refundable tax credits work: Suppose someone owes \$500 in income

Figure 2.5 **Average Tax Expenditure for Mortgage Interest Deductions, by Income Category, Fiscal Year 2006**



Source: Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal 2007-2011*, JCS-3-07, September 24, 2007.

taxes and is eligible for a \$1,000 tax credit. If the tax credit is refundable, it will reduce the person's tax liability to \$0 and the remaining \$500 will be refunded. If the tax credit were nonrefundable, it would reduce the person's tax liability to \$0, but she would not be refunded the additional \$500.

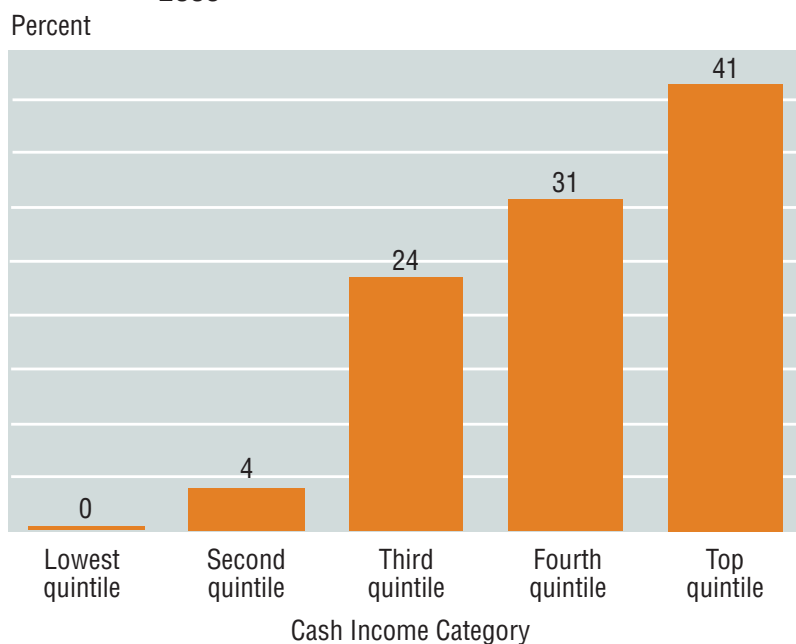
The Earned Income Tax Credit (EITC) is an example of a refundable tax credit. In 2005, the benefits delivered through the EITC lifted 5 million people, including 2.6 million children, out of poverty.<sup>24</sup> The EITC was designed to bridge the gap between low-wage earnings and the cost of meeting basic needs. This tax credit is essential to help low-wage workers meet the costs of basic needs; these costs have risen while wages remained largely stagnant.

In a 2006 report by the Brookings Institution, co-authored by Peter Orzag, now the director of the Office of Management and Budget, the case for refundable tax credits could not be stated any more strongly: "If policymakers want to create incentives through the individual income tax for all or most tax units to engage in certain behavior every year, such as saving or obtaining education for themselves or their children, refundability should not only be considered an acceptable instrument of tax policy—it is imperative."<sup>25</sup>

For low-income families with children, the lack of affordable child care makes it much more difficult to hold a job. The Child and Dependent Care Tax Credit (CDCTC) helps families pay for child care. In 2006, only 8 percent of CDCTC benefits went to families with incomes below \$30,000—some 700,000 families. If the CDCTC were refundable, however, benefits would be available to 2.2 million low-income households instead of 700,000.<sup>26</sup> Not only would this help low-wage-earning parents to work, it would allow them to keep more of their income, which would reduce child poverty.

Refundable tax credits would also help more low-income children attend college. A college education is one of the best ways to break the cycle of poverty in families—finishing college means having average lifetime

**Figure 2.6 Percentage Distribution of Total Federal Benefits from Child and Dependent Care Tax Credit (CDCTC), 2006**



Source: Urban Institute – Brookings Institution Tax Policy Center.



Margaret W. Nea



earnings that are \$1 million more than a person with only a high school education.<sup>27</sup> But the average tuition cost at a four-year public university has increased by more than 300 percent in the last 10 years alone and by almost 1,000 percent since 1977. When adjusted for inflation, tuition has risen from \$655 to \$6,185.<sup>28</sup> The current tax credits that subsidize the cost of college, the Hope Credit and the Lifetime Learning Credit, are not refundable. A new, temporary refundable tax credit, the American Opportunity Tax Credit, was created in the American Recovery and Reinvestment Act of 2009. It extends eligibility to 3.8 million low- and moderate-income students. It is the only tax credit for college that is available to low-income students, but it will expire in 2010 if Congress does not act to make it permanent.

## Incentives to Build Savings

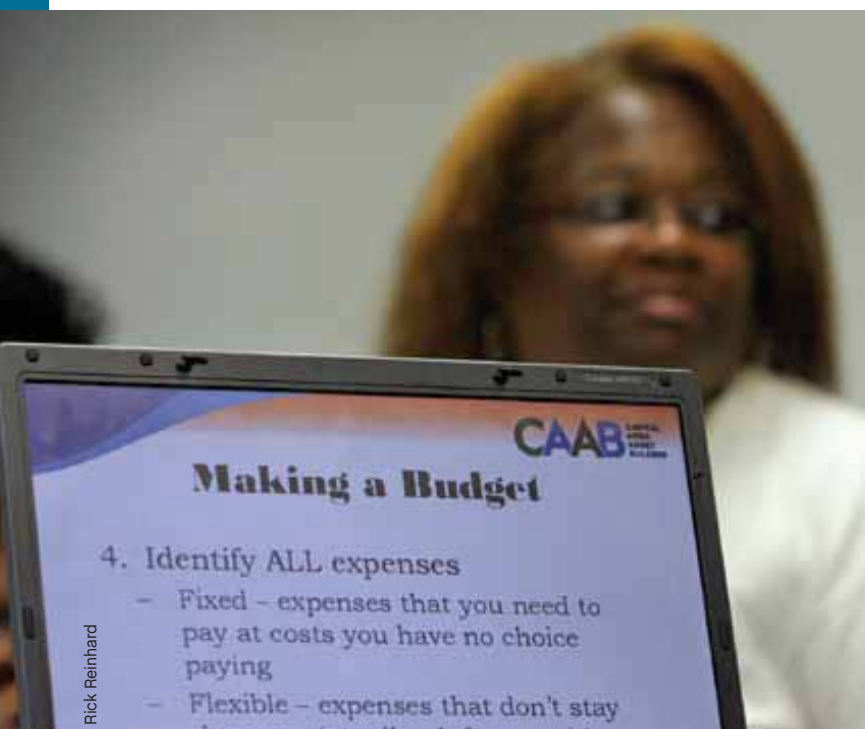
Plenty of low-income families are living on the edge, always one piece of

bad luck away from not being able to meet their basic needs. It could be a job loss, a medical emergency, a car breaking down, or an unexpected home repair. It could be the rising cost of health insurance, a freezing cold winter that brings higher heating bills, or a sudden surge in gas prices. It's difficult for anyone to achieve economic mobility without first establishing financial stability. Savings are a buffer to keep families from falling off the edge.

Of course it is harder for poor people to save money, but it's a misperception that they don't or won't save. Research shows that people with incomes well below the poverty line are able to save.<sup>29</sup> A national research study known as the American Dream Demonstration tested the effectiveness of asset-development programs for poor people. People were saving to build assets such as homeownership, education, or starting a business. On average, the household income of families participating in the study

was 116 percent of the poverty level. The average savings per month was \$19.07. As an incentive, the program typically offered a match of \$2 for every \$1 saved. Participants saved on average \$700 per year.<sup>30</sup> While it takes longer for poor people to build savings that can be used to acquire assets, other benefits appear to accumulate more quickly. An impressive 93 percent of participants said they felt more confident about their future, and 85 percent felt more in control of their life.<sup>31</sup>

A structured savings plan makes it easier to save and means that more people are likely to do so. Employers provide this structure when a 401(k) plan is included in a worker's benefits package. But 401(k) plans are seldom offered to low-wage workers. In his first budget outline, President Obama proposed establishing an auto-IRA program that would require all employers who do not currently offer a work-sponsored savings plan to automatically



Nonprofit organizations like the Capital Area Asset Builders (CAAB) in the District of Columbia provide low-income taxpayers with financial education.

enroll employees in an IRA. The Office of Management and Budget projects that this program would increase the savings-plan participation rates of low- and moderate-income workers from 15 to 80 percent, showing how barriers to saving are more often institutional, not behavioral.<sup>32</sup>

Clearly, people don't spend their way into financial security—rather, they save and then invest the savings in asset-building opportunities like a college education. Ultimately, it's the assets people are able to acquire that lead to economic mobility and allow them to share in the American Dream. An equitable, moral tax code should not place a lower value on the efforts of low-income people to save than on those of people who already have the means to do so. Tax policy should reward those efforts at every level. But the tax code has little to offer low-income savers. The Saver's Credit is the only tool in the tax code geared toward low-income savers; it encourages families to save for retirement by providing a credit of up to \$1,000 per year. The Saver's Credit should be expanded to include other types of savings, such as savings for college. But the main problem with the Saver's Credit is that it's not refundable. It is estimated that if the Saver's Credit were made refundable, an additional 65 million people would be eligible for it.<sup>33</sup>

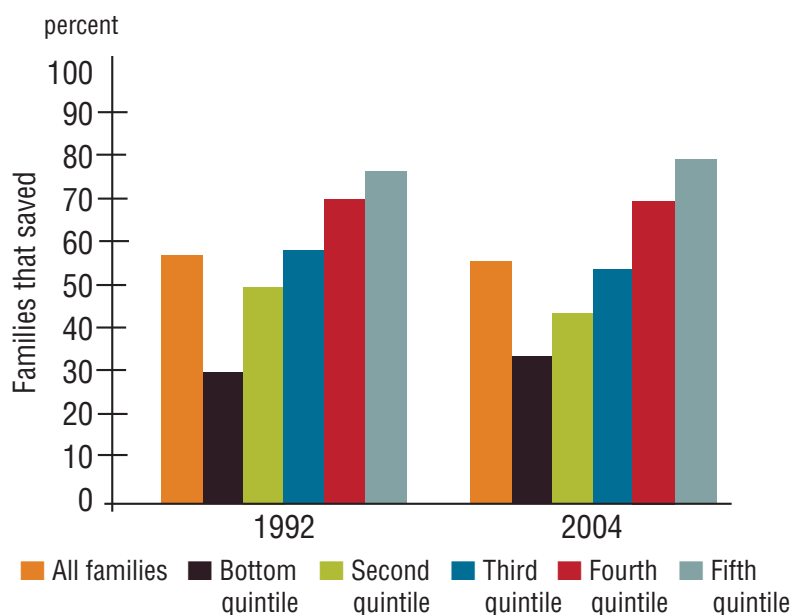
The United States could promote a new culture of savings and asset building right from birth by establishing a saving plan for every child on the day he or she is born. Universal child savings accounts could be structured progressively to provide matched savings to those children who need financial help the most. They could draw on both public and private sources of funding, and create programs to provide financial education through schools, financial institutions, and nonprofit organizations. This won't end poverty in families overnight, but after all, sustainable solutions to major problems don't typically appear overnight.

## Tax Reform in 2010

In 2001 and 2003, Congress passed sweeping legislation to reduce the tax burden on American households and businesses. The logic behind the tax cuts was that when families had increased resources available, they would have more to spend, which would in turn create demand for more goods and services. Businesses would be able to respond to this increased demand by creating more jobs. Thus, the promise was that everyone would benefit from these tax cuts. But that's not the way it turned out.

Between 2001 and 2008, the tax cuts cost the U.S. government nearly \$1.7 trillion in lost revenue, leading to spending freezes or cuts in many of the

**Figure 2.7 Families That Report Savings, by Income 1992 and 2004**

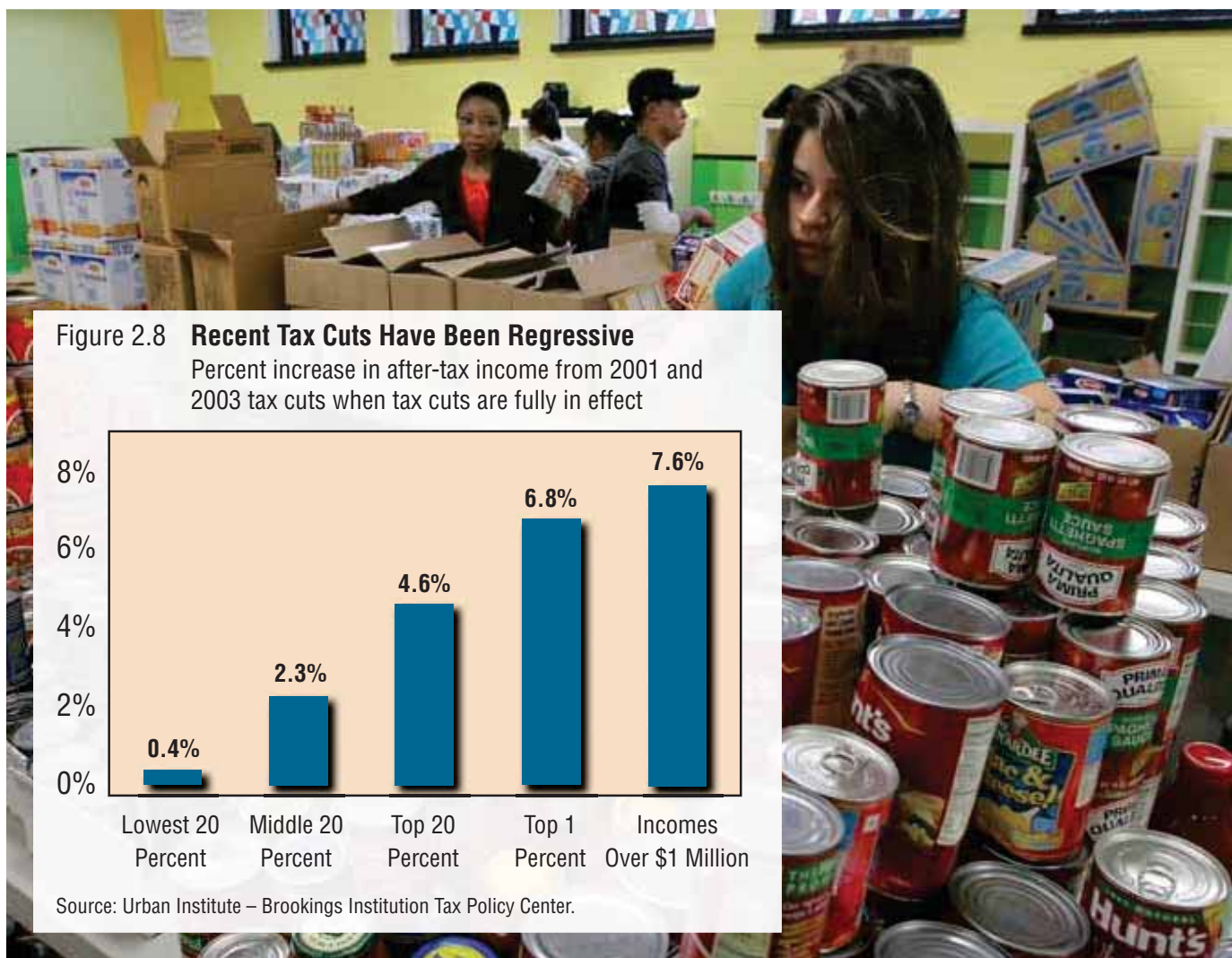


Source: The Urban Institute. Data from Bucks et al, (2006) using the 2004 Survey of Consumer Finances.

**Of course it is harder for poor people to save money, but it's a misperception that they don't or won't save.**

discretionary programs that serve low-income households and communities, such as Temporary Assistance for Needy Families (TANF), the Child Care and Development Block Grant, and, as mentioned above, housing assistance.<sup>34</sup> The tax cuts themselves disproportionately favored the highest-income households. As low-income households and communities suffered cuts in critical services while waiting for the benefits to trickle down to them, the U.S. economy, for the first time, experienced an economic expansion that produced no net increase in jobs. Not only did the economy not produce the expected jobs, but the median income of working families fell by \$1,107 and 4.4 million more people entered the ranks of the poor, including 1.6 million more children.<sup>35</sup>

The tax cuts of 2001 and 2003 begin to expire in 2010. There will surely be a battle over which ones to keep and which to let expire. The Center on Budget and Policy Priorities estimates that the top 1 percent of households—a group whose average income exceeded \$450,000 in 2008—will receive 31 percent of the benefits from the tax cuts over the next 10 years if the cuts are made permanent.<sup>36</sup> To put the country on a more inclusive path, it is certainly possible to design a tax code that distributes benefits more equitably; 2010 may be the best time because of the opportunity opened by the expiration of the 2001 and 2003 tax cuts.





# Health Care Policy: The Golden Hour

Like housing and tax policy, U.S. health care policy is badly in need of reform. The United States spends more on health care than any nation in the world.<sup>37</sup> Within a few decades, the escalating costs of health care could prove catastrophic for the economy as a whole. Every year, tens of millions of Americans go without health insurance, mainly because they can't afford it or because they lose a job and with it their insurance coverage. Some people discover that their insurance company has suddenly decided to stop covering them.

There is wide-scale agreement that reform is necessary, yet in 2009 the politics of health care stirred up so much overheated emotion that it looked like reform was doomed. As this report goes to print, reform appears likely, but the details are still uncertain. Will everyone be covered? Will the reform package be enough to hold down the rising cost of care to a sustainable level?

In emergency medicine, the “golden hour” refers to a brief window of opportunity when doctors have the best chance to save a trauma patient’s life. Right now may be our country’s golden hour to achieve meaningful health care reform. Major reform was last attempted 16 years ago during the Clinton administration. The political fallout was so bruising that no one has tried again until now. If the current effort fails to go far enough, it could mean the patient will live but the longterm prognosis remains deeply disturbing.

## Health Care: The Profound Impact of Inequality

One could hardly find a starker, more grievous example of inequality than the difference between those families with health insurance and those without. Without health insurance, the risk of financial ruin is ever present. Health care policy exemplifies a system in which families can play by all the rules—go to work, spend their money responsibly, provide for their children as best they can—and still be denied the lowest common denominator of economic security. Since 1999, employer-based health insurance premiums have increased by 131 percent,<sup>38</sup> and health care debt is now the main cause of personal bankruptcy.<sup>39</sup>

Absent reform, the number of uninsured people in the United States would balloon to 61 million by 2020, an increase of 14 million over today.<sup>40</sup> The vast majority of those without health insurance are families that rely on low-wage work. Low-wage jobs frequently do not come with a health insurance plan; if they do, workers often cannot afford the premiums. In 2008, the

**Figure 2.9 Absent Reform, Federal Spending on Health Care (Medicare and Medicaid) is Projected to Rise at an Unsustainable Rate**

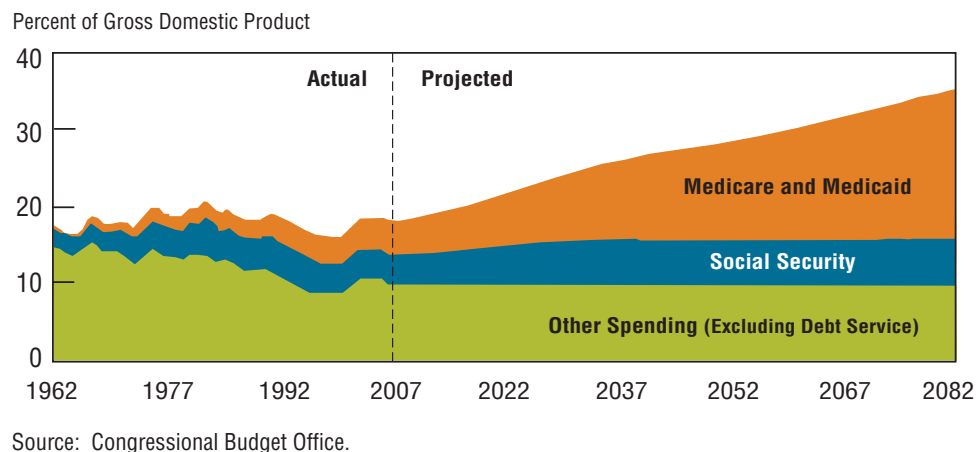
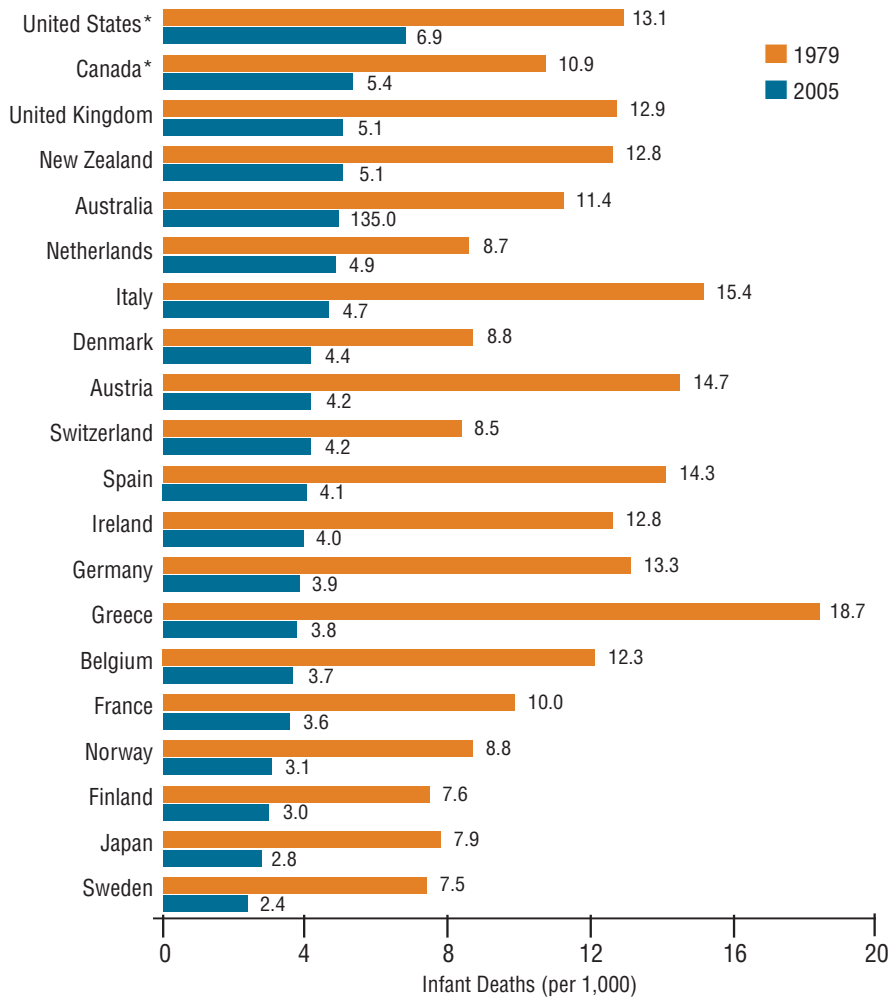


Figure 2.10 Infant Mortality, per 1,000 Live Births



\*Data for Canada and the United States are from 2004.

Source: Organization of Economic Cooperation and Development (2007).

average family health insurance policy cost \$12,700. That is more than the entire annual earnings of a full-time minimum-wage worker (\$10,800).<sup>41</sup>

A 2007 survey by the Commonwealth Fund found that 48 percent of all low-income households had been uninsured at some point during the previous year.<sup>42</sup> Clearly things aren't getting any easier during a recession. With unemployment rates expected to hover around 10 percent through 2010,<sup>43</sup> we would expect to see a lot more people who had health insurance before the recession going without. Because of a lag in data collection, we won't know the true effects of the recession on health insurance coverage in 2009 until later in 2010.

A common argument by critics of health care reform has been that the United States pays more for health care than other countries because it has the best in the world. But the best care in the world is irrelevant if you can't afford it. To put U.S. health care in perspective—our country is ranked 50<sup>th</sup> in the world in life

expectancy.<sup>44</sup> Every other industrialized country is reducing preventable deaths faster than the United States and for significantly less cost.<sup>45</sup> A 2007 report by UNICEF ranked the United States at the bottom of a survey of 21 industrialized countries on all measures of child health. Our infant mortality rate is on par with countries such as Estonia, Poland, and Croatia.<sup>46</sup>

## Universal Health Care: the Basic Elements

Every American should be guaranteed a basic level of health care coverage. For those who earn too little to pay for insurance, the government will need to offer subsidies to help them afford the cost of a basic plan. Universal coverage is not just a goal of reform—it must be a requirement. Determining what constitutes a basic level of care should be left up to unbiased experts.

There are both economic and moral reasons to insure everyone. First, the economics: At the current growth rate, government spending on health care will rise to 37 percent of GDP by 2050, putting all discretionary spending in the federal budget at risk.<sup>47</sup> The increasing costs will be incurred almost

entirely by Medicare and Medicaid. However, it would be a mistake to blame these two programs for causing the country's unsustainable health care costs. From 1997 to 2006, spending per covered patient grew at 4.6 percent annually in Medicare, versus 7.3 percent under private insurance plans.<sup>48</sup> Spending on Medicare and Medicaid reflects the rising costs of health care in general and helps explain why the whole system needs reform.

The cost effectiveness of insuring everyone is simple to understand. Not carrying insurance encourages people to delay treatment of minor conditions that could, and frequently do, become more serious and more expensive to treat than if they had been caught earlier. Once they have insurance, people will have less reason to delay treatment. They will also have options other than the emergency room. Hospitals and doctors charge everyone higher fees for services as a way to insure themselves against the financial risks taken by providing care to uninsured people. Uninsured patients are hardly getting a free ride. Hospitals charge them two to four times as much as private or public insurers would for the same services, and they are twice as likely as insured patients to be pursued by collection agencies.<sup>49</sup>

The moral reason for insuring everyone is no less difficult to understand. Uninsured and underinsured people avoid needed care.<sup>50</sup> Not high-priced, sophisticated treatments by specialists, but basic care, which should be a right of everyone in a society as rich as the United States. For uninsured people, cancers go undetected longer and are more likely to be fatal when discovered; coronary heart disease and hypertension are not managed and often progress until they cause a heart attack or stroke; and delayed treatment of diabetes accelerates the pace of kidney and other organ failure and contributes to an earlier death. A study by Harvard Medical School found that 45,000 people die each year because of lack of health insurance.<sup>51</sup> Between the ages of 55 and 65, the risk of death for people who don't have health insurance is double the risk of people who do.<sup>52</sup> These grim statistics are explained by the fact that uninsured people do not use primary care. The "ounce of prevention" argument still makes a lot of sense, except when people can't afford an ounce.

Health care costs will rise in the coming years no matter what version of reform is adopted. But costs do not have to rise unsustainably. In addition to insuring everyone, health care reform should encourage and reward the use of primary care. The Milken Institute estimates that in 2003 alone, modest improvements in the prevention and management of chronic diseases could have led to a trillion dollars in savings.<sup>53</sup>

Some say that now is not the time to embark on an ambitious reform agenda. The country is struggling to come out of a recession and national



**Low-income communities frequently lack access to doctors or preventive health care services.**



## BOX 2.2 POLITICS AND THE HISTORY OF HEALTH CARE REFORM

Major health care reform has been attempted by several presidents. President Franklin Delano Roosevelt made the first serious attempt to establish a national health care program, but was discouraged from pushing for it when he faced strong opposition from the American Medical Association (AMA). At the time, health care costs made up a much smaller share of family expenses than they do today. The public was not clamoring for a national health care program, and Roosevelt decided that his administration had enough problems to address without taking on a bruising battle with the AMA.<sup>1</sup>

Most Americans receive their health care through private insurers, and most private insurance is provided through employers. Employer-based health insurance emerged quite by accident due to wage controls during World War II. In the previous decades, insurance had been offered by hospitals in order to guarantee that doctors got paid and would continue to provide services. Labor shortages during the war gave employers an incentive to offer health insurance as a way to win a competitive advantage

over their rivals in recruiting the best workers. Because it was a benefit that workers clearly valued and that affected their choice of employers, employer-sponsored insurance continued as the status quo once the war ended.

President Truman also wanted to establish a national health care program. This time around, health care faced opposition from within the president's own party. To appease southern Democrats, who feared national health care would lead to the integration of hospitals, Truman backed off his health care agenda.<sup>2</sup> President Johnson managed to get Medicare and Medicaid, programs for seniors and poor people, enacted as part of a broader civil rights agenda known as the Great Society. Johnson knew the Great Society would discomfort southern Democrats. Ultimately, in fact, it led to the realignment of the South from predominantly a Democratic stronghold to the solid Republican base it remains today.

The penultimate effort to introduce a national health-care plan occurred under President Clinton. The Clinton plan failed largely because the administration misman-

aged its development and presentation. The plan was too complex for most people to understand; it was developed in secret, alienating members of Congress; and the administration underestimated the ferocity of the attacks from insurers, the AMA, and others. The interests vested in preserving the status quo also included an ideological base of the conservative movement which feared that health care reform might whet the public's appetite for other interventions in the private sector by government.<sup>3</sup> President Clinton did manage to pass the State Children's Health Insurance



AP Photo/Terry Gilliam

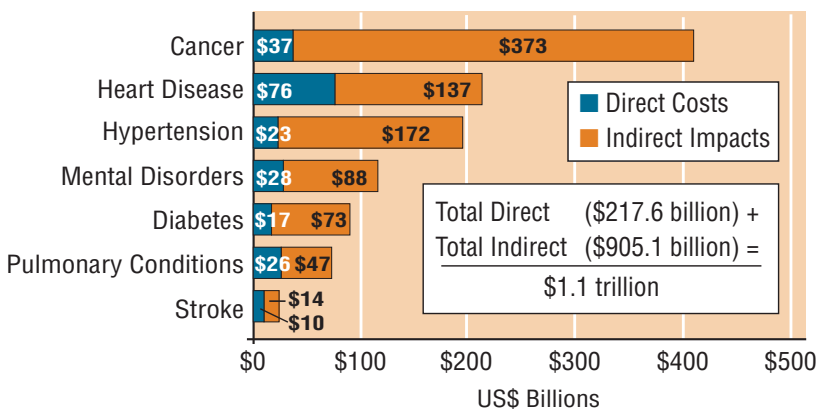
Program (SCHIP) with bipartisan support, but SCHIP is a discretionary program, not an entitlement, so each year millions of children continue to go without coverage.

President Obama pledged to make health care reform a priority of his administration and has sought to address it early on. Much has changed in the years since the Clinton effort collapsed, including ever-increasing numbers of uninsured Americans, skyrocketing costs of care, and now more interest in reform among employers. The costs of insuring workers are taking huge bites out of company profits and undermining the competitiveness of U.S. firms in global markets. The automobile industry is a case in point. In 2004, health care benefits added \$1,525 to the cost of every car sold by General Motors, compared to \$201 for Toyota.<sup>4</sup> The cost of health care was one of the reasons General Motors was forced to declare bankruptcy in 2009.

With employer-based health insurance unraveling, the question is what reform will look like. At this writing, the shape of reform is still unresolved and the debate remains rife with political infighting. Members of Congress with entrenched interests in protecting the status quo are as hostile to reform as ever. The health-care industry, with its armies of lobbyists, spends \$1.4 million per day to influence how Congress views health care policy.<sup>5</sup> Most of this money follows the power-brokers of legislation. According to analysis by the Sunlight Foundation, a nonpartisan nonprofit organization promoting transparency in government, members of Congress who are influential in health care policy receive more donations from the health care industry outside their state than from donors within.<sup>6</sup>

debt may climb to 83 percent of GDP by 2019, according to Congressional Budget Office projections.<sup>54</sup> But this logic misses something crucial. Waiting delays the benefits that reform can bring—and those benefits could be huge. According to the Council of Economic Advisors (CEA), for example, cutting the rise in health care costs by 1.5 percent—from an annual growth rate of 6 percent to 4.5 percent—would add 2 percent to GDP by 2020 and 8 percent by 2030.

Figure 2.11 **Avoidable Treatment Costs and Output Losses, 2003**



Source: From DeVol, Bedroussian, et al. (2007), Milken Institute tabulations from MEPS, NHIS.

“The real income of the typical family of four could be \$2,600 higher in 2020 than it otherwise would have been and \$10,000 higher in 2030,” the CEA writes. “And the government budget deficit could be reduced by 3 percent of GDP relative to the no-reform baseline in 2030.”<sup>55</sup> The budget ramifications in the first decade of reform are certainly not trivial, but the whole point of this Hunger Report is to look beyond a short time horizon and see the wisdom of investing in a sustainable future.

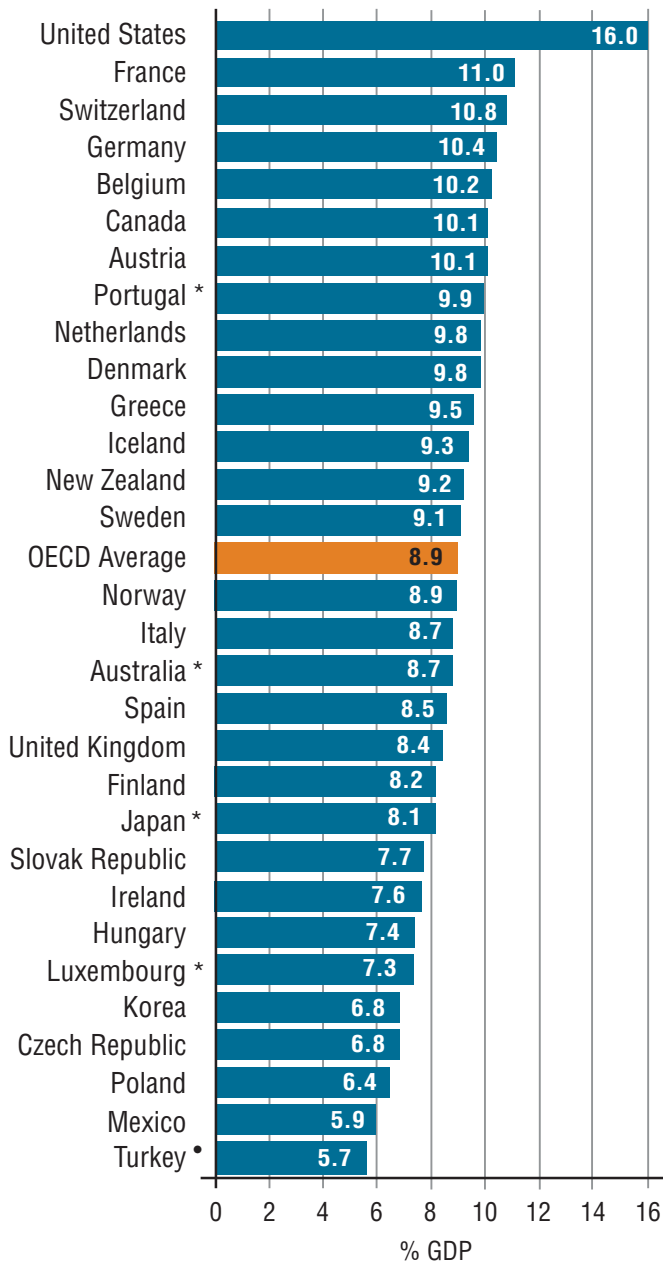
## Why U.S. Health Care Costs So Much

“I have routinely asked doctors and hospital administrators how much of the health care services we provide is pure waste,” says Guy Clifton, MD, the author of *Flatlined: Resuscitating American Medicine*. “They would usually pause to think, and then I would suggest, ‘Thirty percent?’ They invariably responded, ‘Oh, at least that.’”

Researchers from the Dartmouth Institute for Health Policy have confirmed Clifton’s informal survey, describing a health care system with 30 percent waste—due primarily to underutilization of primary care services, overuse of high-cost specialist services, and the fragmentation of the system itself, leading to poor coordination.

dination of treatment.<sup>56</sup> Perhaps it's not possible to avoid waste entirely, but that wouldn't be necessary to achieve universal insurance coverage. That 30 percent figure is seven times as much as it would cost to cover all uninsured people.<sup>57</sup>

**Figure 2.12 Health Expenditures as a Share of GDP, OECD Countries, 2007**



Nations with universal coverage spend an average of 10 percent of their GDP on health care; the United States spends closer to 11 percent.<sup>58</sup> Most countries with universal coverage include some mix of private and public insurance. Medicare, available to anyone 65 and older, is the closest thing in the United States to a national plan. Medicare is managed by the federal government but pays private providers to deliver care. Some 45 million seniors are enrolled in Medicare.<sup>59</sup> The “public option” for insurance that the Obama administration and Democrats in Congress proposed would function like Medicare except that it would be available to people younger than 65. As the president explained, anyone who doesn’t want to use the public option could stick with his or her private health insurance. Competition, the bedrock of a market economy, increases with the addition of a public option.

Competition with a public system is the key to making the private system operate more efficiently. The Commonwealth Fund argues that the United States could save more than \$100 billion annually if it reduced administrative costs to levels comparable to those of other industrialized countries.<sup>60</sup> Without a public system to compete against private insurers, excessive administrative costs will continue to be the norm. Quite simply, insurers lose financially when people require extensive medical treatment. So the insurance industry has a lot to gain by spending administrative dollars to weed out potential clients whom they suspect will need expensive health care.

It’s not surprising that when insurers pick winners and losers, the losing side includes people who are sick or elderly, who live with disabilities, or who fall into any other category that might require frequent or expensive medical treatments. Insurers don’t want to cover the 10 percent of patients who account for two-thirds of all health care expenditures.<sup>61</sup> But this 10 percent are not using up insurance coverage on unnecessary procedures or routine care—they are

receiving bypass surgery, chemotherapy, dialysis, and other life-saving care. Trying to force this group to spend more out of pocket is not the answer; no one but a small group of very wealthy people can afford these procedures without incurring devastating amounts of debt.



## Ruined by the Status Quo

“Nationally, a quarter of [insurance] firms cancel coverage immediately when an employee suffers a disabling illness; another quarter does so within a year,” states a report by the Cambridge Health Alliance, investigating why 60 percent of all U.S. bankruptcies are linked to medical problems.<sup>62</sup> The victims are not usually poor but rather fit into the middle class. Ironically, most have insurance, at least at the beginning of their ordeal.

“Middle-class families frequently collapse under the strain of a health care system that treats physical wounds but often inflicts fiscal ones,” says the lead author, David U. Himmelstein, MD, associate professor of medicine at Harvard Medical School.

The U.S. health care system saves lives, but it also ruins the financial health of millions of families every year. In the end, middle-class families who encounter serious health problems are often forced to declare bankruptcy, wiping out whatever savings and other assets they had intended to pass on to their children. Few catastrophes have as much potential to bring financial ruin to American families as a debilitating illness or injury; this is another reason why health care is so urgently in need of reform.

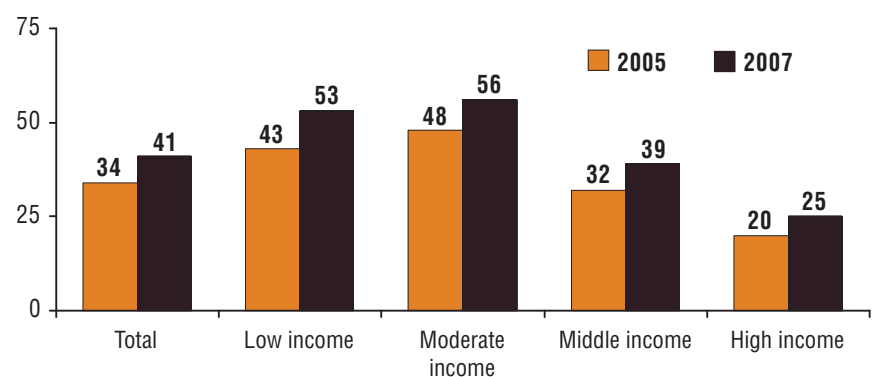
Good health is an asset in the pursuit of upward mobility. Conversely, poor health causes downward pressure on mobility. It shouldn't be this way. A family's financial well-being should not be contingent on the blessing of good health; health policy should work to prevent bankruptcy caused by illness or injury.



Margaret W. Nea

**Figure 2.13 Problems with Medical Bills or Accrued Medical Debt Increased, 2005-2007**

Percent of adults ages 19-64 with medical bill problems or accrued medical debt



Source: S.R. Collins, J.L. Kriss, M.M. Doty and S.D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance is Burdening Working Families*, The Commonwealth Fund, August 2008.

# Education Policy: Failing to Make the Grade

In the early decades of the 20th century, the United States was intent on becoming the most educated country in the world.<sup>63</sup> No other country had the goal of providing a free high school education to all. Other nations supported free primary school enrollment, but the United States stood alone in its support for free secondary education.

Also for much of the 20th century, the United States had a wide lead over other countries in secondary school enrollment rates. Educational achievement not only made the United States the most prosperous nation, but it also led to falling rates of income inequality by the middle of the century.<sup>64</sup> Until the 1970s, wage growth held steady across income groups. There were other factors that contributed to falling inequality; for example, the ascent of organized labor, especially in the manufacturing sector, where a full one-third of the workforce was employed in the 1950s. But American manufacturing workers were the most productive and efficient in the world largely because they were better educated than their foreign counterparts.

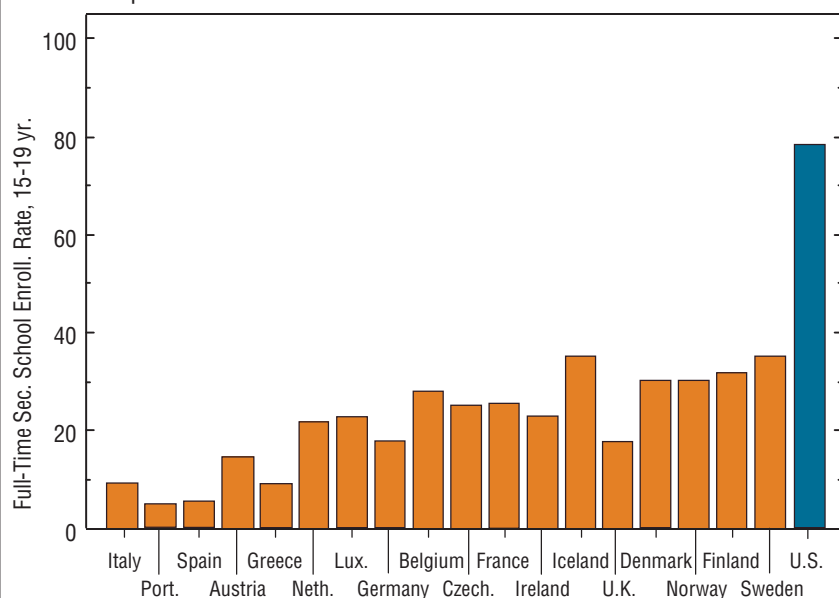
Since the late 1970s, however, the advantage the United States had had over other countries has been eroding.<sup>65</sup> Almost every industrialized country now has a comparable secondary school enrollment rate, and several countries have higher postsecondary completion rates.<sup>66</sup> Perhaps it was inevitable that other countries would catch up, but it was not inevitable that U.S. achievement levels would hit a long plateau. High school and college graduation rates remain roughly the same as 25 years ago.

Today, U.S. workers need postsecondary education to achieve living standards that earlier generations could have achieved with a high school diploma. Workers who have less than a high school diploma may never be able to compete for jobs that pay enough to support a family. In a global economy, low-wage workers are some of the most vulnerable to foreign competition. John Engle, the former governor of Michigan and now president of the National Association of Manufacturers, describes dropping out of high school as “the most catastrophic decision a young person can make. In essence, you will be competing against the lowest skilled workers in the world, and that’s not a good place to be.”<sup>67</sup>

In high-poverty areas, there is a perennial crisis of high dropout rates. Close to half of all African American and Hispanic youths drop out of high

Figure 2.14 **Secondary School Enrollment Rate, c. 1955**

Europe and the U.S. Full-time Enrollment



Source: Claudia Goldin, *Human Capital Century*.

school, limiting their chances in life and destroying so much of their earning potential. Education is supposed to reduce the odds that children growing up in poverty will stay in poverty as adults, so education policy should place a high priority on preventing children from dropping out.

## The Need to Address School Financing

Education is one of the strongest predictors of lifetime earnings. College graduates earn more than high school graduates, and high school graduates earn more than high school dropouts. Parents are as keenly aware of the importance of education now as they were a century ago. The campaign for free secondary education was led by parents who saw that children with a high school education were getting the best jobs.<sup>68</sup> In the late 20th century, the charter school movement was another parent-led effort to improve children's chances of getting ahead.

Government's responsibility should be to help reduce inequalities—to level the playing field for children starting their lives in poverty. State and local financing makes up 90 percent of spending on K-12 education. Because federal funding accounts for just 10 percent, it's unrealistic to expect it to erase inequalities that start at the district level, but federal policies can still have profound effects on what happens in classrooms across the country. No Child Left Behind (NCLB), for example, the signature education policy initiative of the Bush administration, directed all schools to set high standards and establish accountability for student outcomes. High standards and accountability are absolutely necessary to improving educational outcomes, but NCLB didn't address the financing equation that would have allowed disadvantaged students a real shot at catching up to their peers in better-off neighborhoods.

Richard Nixon was the last president to consider reforming K-12 education financing. In 1972, a presidential commission recommended increasing the federal share of the financing to between 25 and 30 percent, paid for by a national tax.<sup>69</sup> At the time, there was little reason yet to be concerned about U.S. school performance versus that of other countries, so the suggestions of the commission were ignored.

In some ways, K-12 financing is also a housing issue. Where families live has a great impact on their quality of life, including the quality of the schools. It's why competition is so fierce to own homes in neighborhoods with good schools. The rapidly rising home prices during the housing bubble only exacerbated educational inequalities. Housing values aren't the sole determinant of a quality education, but they weigh all too heavily in the school-financing equation.



Children fall in love with learning when they can touch the relevance.

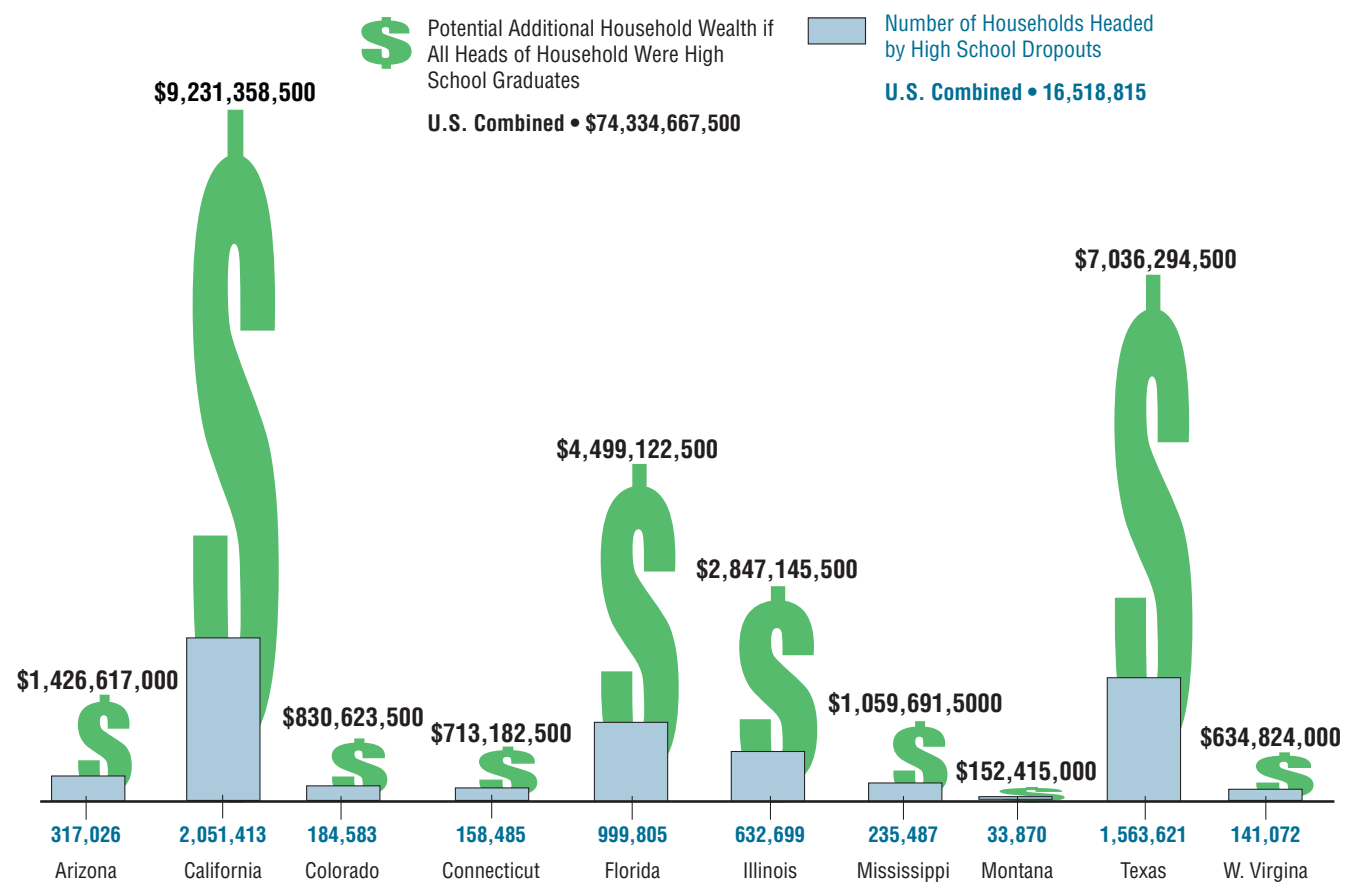


The federal law meant to address school financing inequalities, called Title 1, does a poor job of correcting them because of the way it is structured. Federal funding is tied directly to state and local funding levels. “At every level of government,” say Kevin Carey and Marguerite Roza of the Center on Reinventing Public Education, “policymakers give more resources to students who have more resources, and less to those who have less.”<sup>70</sup>

States and localities that spend more money generally can do so because they are wealthy to start with. Mississippi has a child poverty rate of 30 percent compared to 11 percent in Connecticut; despite having 50,000 fewer students than Connecticut, Mississippi has nearly 100,000 more students receiving free and reduced-price meals through the National School Lunch Program.<sup>71</sup> Connecticut, a very wealthy state, spends 88 percent more per student on education than Mississippi, one of the very poorest states.<sup>72</sup> Living costs are higher in Connecticut, so it also costs more to educate a child there, but not in the ballpark of 88 percent more—according to the Department of Education, the correct figure for 2005-2006 was 32 percent more.<sup>73</sup> Perhaps children in Connecticut would have scored higher on standardized tests in any case, but the additional state and federal resources spent on their education gave them an extra advantage.

Spending more money on underperforming schools without a plan to change the dynamics inside classrooms hasn’t worked, so we know that other

Figure 2.15 Increase in Wealth if All Heads of Households were High School Graduates



Source: Alliance for Excellent Education.

Go to [www.hungerreport.org](http://www.hungerreport.org) to see the result for all 50 states.

changes must be made as well. Research shows that good teachers make an enormous difference in student outcomes.<sup>74</sup> Poor school districts cannot pay the best teachers a competitive salary, creating little incentive for them to work in disadvantaged schools. This is an area where the federal government can improve the situation by rewarding excellent teachers who are willing to work in disadvantaged school districts—providing them with salaries that compensate them for the challenges they face and offering generous performance bonuses to those who achieve excellent results.

The National School Lunch Program provides school meals that are either free or reduced-price to students whose household income falls below a certain level. Schools are reimbursed for the cost of providing the meals. School lunch may not be delicious, but it does have to meet minimum nutrition requirements for a healthy meal. Providing children with adequate nutrition is not the same as providing them with adequate education, but the National School Lunch Program

provides a window into where resources are needed the most. The schools that are the most disadvantaged—meaning those with the highest incidence of violence, most poorly-maintained facilities, least-experienced teachers, and fewest number of advanced placement classes—are also where the most students receive free or reduced-price lunch.<sup>75</sup> Knowing which schools need to be fixed isn't difficult. All you have to do is follow the food.



Teacher turnover rates are highest in schools that are located in poor neighborhoods.

## Inequality is Everyone's Problem

We don't have to wait until kindergarten to begin breaking down socioeconomic inequalities. Education, the great equalizer, is the best defense against intergenerational poverty. The earlier formal education begins, the better the odds of breaking the cycle. That's what researchers, including a Nobel laureate economist, have found from decades of studies on children in high-poverty areas who are exposed to high-quality early education programs.<sup>76</sup> This finding is not surprising since the swiftest progress in a child's intellectual and social development occurs in the early years of life. The key to sustaining the benefits of early education is for children to move from good early education programs straight into good elementary schools and on to good middle schools and high schools.

Anyone concerned about inequality has to be troubled by the state of public education. Year after year, schools fail to adequately educate millions of children, leaving them unprepared to compete in the workforce for

## BOX 2.3 ABRIENDO PUERTAS: OPENING THE DOORS OF EDUCATIONAL OPPORTUNITY

by Felipe Salinas

Educators often highlight the role of parents: the more parents are engaged in their children's education, the better the children's school attendance and academic performance. Recent research on parental educational engagement in low-income communities supports this view.

For parents, how much they can get involved in their children's education is often a matter of economics. Taking time off for a parent-teacher conference or school functions is costly for low-wage workers. Language and cultural differences may also cause immigrant parents to think twice about participating, especially if school systems operate differently from those they knew at home.

The *Abriendo Puertas* (Opening Doors) Parental Communication Initiative was started in 2003 by Texas A&M University's College of Agriculture and Life Sciences to increase high school graduation and college enrollment in South Texas' Lower Rio Grande Valley. Parent volunteers in rural subdivisions known as *colonias* receive training and then train other parents in how to become more engaged in their children's education.

*Abriendo Puertas* uses a "community empowerment"

outreach model based on similar approaches long used in developing countries for public education campaigns. The approach was first used 20 years ago by the program's co-founder, Dr. Ida Acuña-Garza, to teach professional sewing skills to women who then taught others to sew for their families and to earn extra income. This "train-the-trainer" approach proved so successful that it was later used by the sewing program's sponsor, the AgriLife Extension service, to deliver nutrition and medical information to the predominantly Spanish-speaking *colonia* residents.

After becoming concerned about high rates of school dropout in South Texas, Acuña-Garza developed *Abriendo Puertas*' "core lessons" on child and adolescent development, how to succeed in and graduate from high school, and how to access post-secondary education. The lessons are organized as a series of easy-to-understand flipcharts that parent volunteers can share with friends, neighbors, and family members in small group settings, whether across kitchen tables, on front porches, or in church halls. Over a five-year period, nearly 500 volunteers have trained more than 26,000 parents.

One of these volunteers is Carmen De Leon of *colonia Llano Grande*, located on the outskirts of Weslaco, TX. De Leon had been trained as an AgriLife Extension sewing volunteer before starting as a part-time parent outreach worker with the Weslaco school district 17 years ago. She first responded to the invitation to be trained as an *Abriendo Puertas* volunteer six years ago out of a concern to learn and do even more in her community. "I already knew much about sewing, and I gave



Ernesto Santos



classes,” explains De Leon. “I liked *Abriendo Puertas* because I said to myself that we as parents should help our children in everything that has to do with education. We should never tell them they can’t reach the goals they set for themselves.”

De Leon converted a small building next to her humble home in the *colonia* into a community center, where she trained parents while her daughter Brenda, who was then in middle school, tutored their children. They even started a small lending library using discarded books from schools and libraries. Thanks to their efforts, more of their neighbors’ children have graduated from high school or earned GEDs and continued on to postsecondary education. “I go every year to the graduations,” De Leon says with pride, “and as soon as the program is over, I go and congratulate ‘my kids’ from the *colonia*.” This year, she celebrated another milestone: her own daughter’s graduation from the local community college, with plans to continue on for a bachelor’s degree.

“Our outreach model is based on the two core beliefs that all parents want a better life for their children, and that committed volunteers can be found in all communities, at all income levels,” says *Abriendo Puertas*’ president, Dr. Hector Aldape. “We are dispelling the myth that Hispanic parents and low-income parents don’t care about their children’s education. Often, all they need is information and encouragement, especially coming from a parent just like them who says, ‘If I can do it and my kids can do it, so can you and your kids.’”

*Abriendo Puertas* continues to expand, with projects currently underway in Laredo and Houston, TX, and in Washington state.

*Felipe Salinas is the director of development and grant administration for the Abriendo Puertas Parental Communication Initiative in the College of Agriculture and Life Sciences at Texas A&M University.*

anything but low-wage jobs. The temptation is to put the blame on parents and the children themselves. But government shares a responsibility to make it possible for all Americans to participate in the economy. Educating children in low-income communities is an ambitious task that no one would describe as easy. In low-income neighborhoods, where children are already suffering from inequalities, schools should be the last bastion of hope. Unfortunately, schools largely appear to be mirroring the inequalities around them.

Everyone stands to benefit by improving the quality of public education. A 2009 report by McKinsey & Company, *The Economic Impact of the Achievement Gap in America’s Schools*, estimates that in 2008, if students from families with incomes below \$25,000 a year had performed as well academically as students from homes with incomes above this threshold, GDP would have been \$400 billion to \$670 billion higher. That’s 3 to 5 percent of the nation’s GDP foregone.<sup>77</sup> Closing the international achievement gap, according to the report, would be worth up to an additional \$1 trillion to the U.S. economy. “In other words,” state the authors, “the educational achievement gaps in the United States have created the equivalent of a permanent, deep recession in terms of the gap between actual and potential output in the economy.”<sup>78</sup>



## Key Points in Chapter 2

**Housing Policy.** Lax regulation of the mortgage lending industry allowed predatory lenders to ride roughshod in low-income communities and to do so with impunity. Nobody was targeted more aggressively by these lenders than communities of color.

The United States needs a balanced, comprehensive set of housing policies that not only protects low-income families from predatory lenders, but offers them access to credit under favorable terms, while also providing more low-income families with rental housing assistance.



**Tax Policy.** Government tax expenditures to promote financial security, such as for homeownership, starting a business, or saving for college, come to more than \$400 billion per year; almost all of it goes to households that are already financially secure, while excluding those who need financial security the most.

With the expiration of large, regressive tax cuts enacted earlier in the decade, 2010 presents a compelling opportunity to establish more equitable tax policies, starting with improvements of the Earned Income Tax Credit, the Child Tax Credit, the Saver's Credit and the Child and Dependent Care Credit.

**Health Care Policy.** Forty-seven million people lack health insurance, and 45,000 die each year due to lack of insurance. The United States pays more per capita for health care than any industrialized country and, according to UNICEF, ranks at the bottom of a survey of 21 industrialized countries on all measures of child health.

A public health insurance option akin to Medicare should be available to all Americans under 65. This is the optimal way to guarantee affordable, universal coverage and to hold down the growing costs of care at a sustainable level.

The additional competition from a public plan would lead to efficiencies in the health insurance market that would benefit everyone. The market currently tolerates an astonishing level of waste, estimated to run as high as \$700 billion per year, a third of all U.S. spending on health care, which would be enough to cover every uninsured person several times over.

**Education policy.** High dropout rates in low-income communities are symptomatic of profound inequities in public education. Too many public schools are failing to provide for millions of students who grow up in these communities, leaving them unprepared to compete for jobs that pay much more than poverty-level wages.

The financing of K-12 should be restructured to correct the inequalities in educational opportunity, with priority given to schools in low-income communities. At every level—local, state, federal—policymakers give more to students who have more resources, and less to those who have less.

# THE SAVINGS NET

by Alejandra Lopez-Fernandini  
New America Foundation

Meet Mary. She and her two young children aren't destitute, but they're not exactly on firm financial ground either. Working full-time, Mary earns about \$18,000 a year, which means that she falls into the lowest 20 percent of U.S. earners.<sup>1</sup> When all is going well, Mary's checking account balance hovers around \$500, but she has no savings for an emergency and she often runs out of money by the end of each month.



Rather than buy infant formula right when she needs it, Mary waits until minutes after midnight on the first of the month—when the monthly paycheck is safely deposited to her account—before heading to the store. Sadly, her strategy is not unusual. Consider this report from Wal-Mart's CEO about the discount chain's odd new pattern of sales:<sup>2</sup> "Most of our stores are open 24 hours, and we've seen an increase in sales just after midnight on the first of the month," Mike Duke recently told an assembly of Wall Street investors. "And sales of the most basic items, even infant formula, spike on the first and

second day of the month. Our customers have been under a real strain, and [are] having to manage very, very carefully."<sup>3</sup>

Every year Mary incurs approximately \$2,000 in unplanned, emergency expenses, meaning she must rely on credit cards to keep emergencies from ending up as catastrophes. Living within her means doesn't make it less likely that the car will break down or one of her children will get sick; at those times, she needs to tap easily accessible emergency funds.

Before the economic downturn, it was safe to say that she lived "paycheck to paycheck." In a jam, she could ask a friend or family member for a small loan, and in a bigger jam she could turn to a payday lender. But now many of her friends and relatives are unemployed or worried about becoming so.

## The Role of Savings

More than one in five Americans do not have enough savings to support their most basic needs for three months if they suddenly had no more income.<sup>4</sup> Not being able to meet basic needs for three months is called asset poverty, and it's now the norm in working-class America. In 2004, minorities suffered asset poverty at more than twice the rate of non-minorities.<sup>5</sup>

In times of financial instability, savings are an important asset that everyone should have. But savings matter more than that. Over time, savings can grow and then be used to make investments that help families climb the economic ladder. For example, parents who invest \$300 per year, beginning the year their child is born, can amass \$20,000 to pay tuition by the time she reaches 18.<sup>6</sup> Furthermore, research over the last two decades indicates that savings can also change how people think about the future and helps them to become more circumspect when making financial decisions.

The federal government currently spends more than

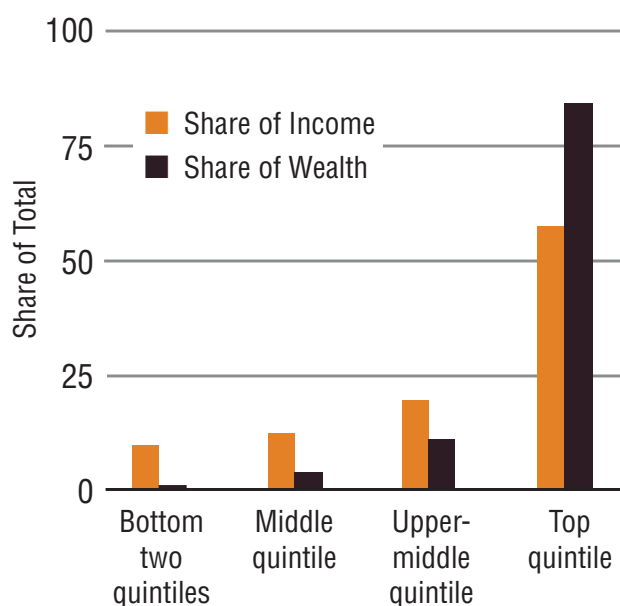


# THE SAVINGS NET

\$400 billion annually on asset-building activities, including promoting post-secondary education, homeownership, entrepreneurship, and retirement security.<sup>7</sup> The majority of these efforts are designed to encourage savings,<sup>8</sup> but they are almost entirely for people who need financial security the least. None of the programs reach those who need it most: the working poor.<sup>9</sup>

Given the uneven incentives to save and build assets, it should not come as a surprise that the nation's wealth is unevenly distributed across income groups. The richest 1 percent of the population owns 25 percent of the nation's wealth, while the bottom 80 percent owns less than 15 percent.<sup>10</sup> As Figure 1 shows, wealth is even more skewed to the top than income.

Figure 1 **Income Inequality and Wealth Inequality, 2004**



Source: Survey of Consumer Finances, 2007.

## How Policy Can Help

It is possible for people living paycheck to paycheck to save—and with some changes in public policy and business practices it could be made easier. Two pragmatic ways to boost individual saving are to provide (1)

access to impartial financial education and (2) access to a low-fee savings account where families can make easy and automatic deposits. The following proposals explain how policymakers can do this.

- **Create a Volunteer Financial Services Corps to make budgeting and financial advice available for wage workers.**

In 2007, a group of financial education experts representing a cross-section of industries proposed the creation of a Financial Services Corps to close the gap between the demand for financial knowledge and the limited supply of affordable instruction. They envisioned that it would harness the expertise of volunteer financial experts, planners, and advisors to deliver targeted (“one-on-one”) financial expertise and advice to lower-income individuals and families. As the Legal Services Corporation supports the provision of free or reduced-price legal services through a network of legal aid programs,<sup>11</sup> the Financial Services Corps could operate similarly, with the express purpose of increasing access to unbiased financial experts on a range of financial topics.<sup>12</sup>

The subprime lending epidemic was driven by a proliferation of bewildering financial products. A Financial Services Corps could help to demystify such products, ensuring that affordable, expert financial advice and coaching is available to the low-income families who need it.

- **Promote saving for unrestricted purposes at the workplace.**

While it is important to acknowledge that households living paycheck to paycheck have limited choices when it comes to setting aside discretionary income, we know that even a small amount of savings can prevent some problems from turning into bigger ones—for example, getting the car repaired to avoid losing one's job.

# THE SAVINGS NET

We also know people will be more likely to begin saving and establish a habit of saving if they have information and structures to help them get started. One such structure which can help make it easier for families to save is the AutoSave approach. AutoSave gives employers the ability to directly deposit an employee's take-home wages into multiple accounts. The majority of the money goes into a checking account, but a small percentage can be regularly deposited into an individually-owned, unrestricted savings account. Over time, this account can grow into a respectable emergency savings cushion. And the best part is that it doesn't require any major effort from employees; they just sign up at work and the savings automatically accumulate in their account.

The New America Foundation and MDRC are conducting a national pilot to explore the AutoSave approach's feasibility, specifically looking at

employers' willingness and ability to offer a simple enrollment process; financial institutions' willingness and ability in this context to furnish banking products with suitable terms; worker participation rates and sustained contributions to their unrestricted savings; and the costs associated with implementing an automatic-savings mechanism.

## Conclusion

Savings are more important now than ever to the economic security of American families. Minimizing financial harm to these families and our economy will require government policies that encourage and make it easier for families to save and build productive assets. Households need a new framework for achieving economic security—and it's not the credit card.

*Alejandra Lopez-Fernandini is a senior policy analyst in the Asset Building Program with the New America Foundation.*



Richard Lord



**Poverty can be about place as much as about people.**





## Chapter 3

# Remaking Marginalized Communities into Gateways of Opportunity

IN TIMES OF HARDSHIP, PEOPLE TURN TO THEIR NEIGHBORS FOR HELP.

It's the very essence of community. In healthy communities, networks of friends, family, and neighbors are assets that individuals can lean on for advice when times get tough or for help in finding jobs and advancing their careers. But networks don't function this way in communities where unemployment is the rule and most people are struggling.

The disadvantages of living in a poor community pile up in configurations that analysts with little experience in such places have a hard time seeing and understanding. Policy solutions frequently miss the mark because they aren't designed to deal with problems that affect a community as a whole. For example, when policymakers look for ways to reduce poverty, it's easy to see only problems within the household. Not enough food in the home? Enroll the family in nutrition programs. Jobs don't pay enough? Apply for the Earned Income Tax Credit (EITC). Too poor to afford health insurance? Get on Medicaid or the State Children's Health Insurance Program (SCHIP).

But none of these solutions gets to the heart of the daily barriers that confront families in high-poverty communities. A poorly educated child is rarely an isolated case; groups of poorly educated children attend underperforming schools in neighborhoods with a host of other problems. In Detroit, for example, three-fourths of all children drop out of high school.<sup>1</sup> Detroit's problems are legion. Joblessness, crime, substance abuse, broken families, substandard housing, food insecurity, and poor health: these are all common in high-poverty communities.



Brittany Thomasson

Children's attitudes toward work are formed in an environment where chronic unemployment is the norm, and this comes to represent another obstacle to overcoming cycles of poverty in families. "We have to work with them to get them prepared to take jobs"—comments like this are echoed across the country wherever unemployment is double, triple, or quadruple the norm. "You've got to talk to them to explain that once you get a job you are expected to go to work every day. If you've never been around family members and neighbors with stable jobs, you just don't know this."

The point of this chapter is that poverty is about place as much as it is about people.

## Missing the Mark

It's easy to look at a person who is diabetic because of obesity and think that this person's problem is self-control. It's harder to make such a simple judgment once you realize that there are no places to buy healthy foods. On the Blackfeet Indian reservation in Montana, it's a half-day drive to the nearest supermarket.<sup>2</sup> Nutrition programs are helpful, but they don't solve the food-access problem in a community with only fast food and convenience stores.

Childhood obesity is epidemic in poor communities—in fact, children in poor communities are just as likely to be obese as hungry. Schools use contracts with soft drink vendors to finance basic needs that state and district funding don't cover. Paying to keep a library open, field a football team, or make sure there's enough chalk to write on the blackboard often depends on these contracts—i.e., on students' consumption of unhealthy soft drinks. Outsiders may bemoan the large numbers of children who just sit in front of a television after school, until they realize that it's too dangerous to play outside. Finally, the connections between community conditions and obesity start to be recognized.

The EITC is one way to compensate for jobs that pay low wages. The EITC is designed to give low-income families an incentive to get and keep jobs, but many jobs do not pay enough for a family to get by. What happens to a community where there are no jobs with wages that will support a family?

Having health insurance is no guarantee that one will be able to see a doctor. In Perry County, AL, for example, the problem isn't lack of health insurance. Perry County is one of a cluster of rural counties that form Alabama's "Black Belt," among the most stubbornly poor places in the country. The poverty rates in Perry County have been high for as long as the Census Bureau has been keeping track, so the county has the official designation of a persistent-poverty county. However, most of the county's residents qualify for Medicare, Medicaid, and/or SCHIP. In fact, Perry County

has a higher percentage of residents with health insurance than the United States as a whole.



In poor communities, healthy alternatives to cheap junk foods are hard to come by.

The problem is access. In 1998, Perry County lost its only hospital. When a county loses such an essential part of its infrastructure, the effects on the local economy are like aftershocks, leading to the crumbling of even more of its infrastructure.<sup>3</sup> The absence of basic health care services discourages investment in the community. New businesses don't want to come there. The loss of a hospital also harms existing businesses. The president of Judson College, located in Marion, the Perry County seat, told Bread for the World Institute: "Imagine how it feels to meet with a young person and her parents interested in coming to our college, knowing that if she gets ill the closest facility to us is an hour away."

What makes the loss of the hospital so much more poignant in Perry County is the poor health of the residents. High poverty rates often correspond to a host of chronic health conditions, and this is true of Perry County and the rest of the Black Belt. The infant mortality rate is higher than in some developing countries. Cardiovascular disease is the number one killer—as it is in the rest of the country—but Perry County hasn't a single cardiologist. Nor does it have a pediatrician. Specialists aren't interested in practicing in places like this for the same reason the hospital closed down. Politely, they call it the "payer-mix." Translation: there are too many poor people.

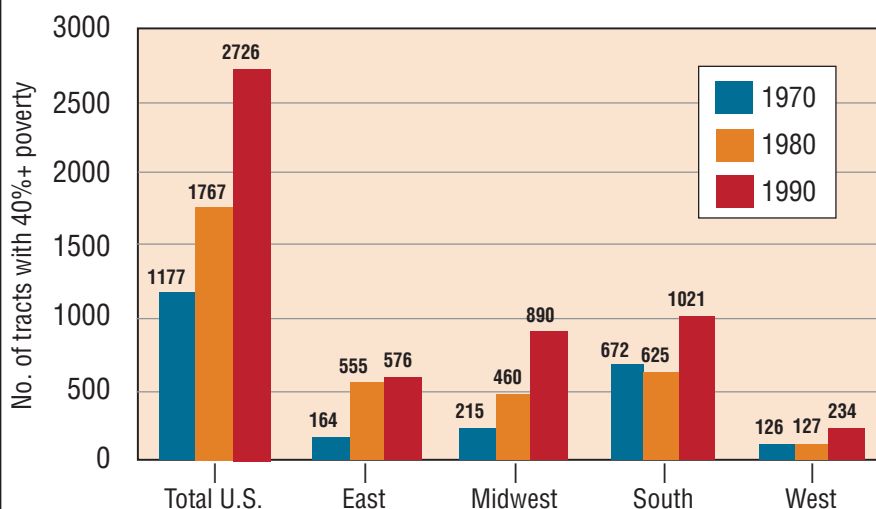
## Poor and Left Behind

In 2005, Hurricane Katrina raised public awareness of concentrated poverty. To the horror and dismay of many television viewers around the country, residents of the Ninth Ward in New Orleans were left behind when the levees broke and their neighborhoods flooded. Dismay soon gave way to disgust and anger at the ineptitude of the institutions and individuals ostensibly responsible for responding to such crises.

But long before the hurricane struck, the poverty-stricken residents of New Orleans had already been left behind. "Left behind" describes all high-poverty communities.

A high-poverty neighborhood is defined as a census tract where at least 40 percent of the residents are in families living in poverty.<sup>4</sup> A much more direct term is "ghetto." That's a word that evokes images of urban poverty, but the United States also has high-poverty rural areas, delineated by county. In rural areas, African Americans are more "ghettoized" than in the cities, with 75 percent living in high-poverty areas.<sup>5</sup> Poor whites in rural areas are more numerous than poor minorities, but they are less likely to be segregated from non-poor whites.

**Figure 3.1 High-poverty Census Tracts in Metropolitan Areas, 1970-1990**



Source: Jargowsky, Brookings Institution, 2003.





Richard Lord

The casinos of Atlantic City, shown in the background, have had little effect on reducing persistent poverty in neighborhoods nearby.

tells us something about “upward mobility” and the nature of life in poor communities.

## Lessons Learned

A booming economy in the late 1990s brought higher incomes for U.S. jobholders. Poverty declined nationwide, both in cities and rural areas, as the economy grew at an annual rate of 4.1 percent, the highest since the 1960s. The number of people living in high-poverty communities fell by 25 percent. By 2000, unemployment dipped below 4 percent—the lowest it had reached in 30 years. The economy was effectively operating at full employment, meaning that everyone or nearly everyone who wants a job can find one.

The late 1990s showed us how to reduce concentrated poverty: keep the economy at full employment. This solution seems almost too simplistic; it doesn’t require a sophisticated understanding of economics. But how can it be accomplished?

An important factor in the booming economy of the 1990s was the maturing of technology investments made by government and the private sector a decade or two earlier, primarily in electronics and telecommuni-

The services one takes for granted in middle-class communities vanish in high-poverty areas. Supermarkets with a wide selection of groceries and local hospitals are two examples. These days it would be unusual to find a high-poverty community where payday lenders and check cashing outlets did not outnumber banks. “Why does one need a bank account when one doesn’t have a job?” asks a resident of Miami’s Little Haiti community.<sup>6</sup>

Poor people are consigned to high-poverty neighborhoods because this is what poverty provides. Would they live elsewhere if they could? Some would. We know this by the popularity of housing-voucher programs that offer families an option to move to a different community.<sup>7</sup> But a program that enables a few people to move away doesn’t solve the problem of high-poverty communities, and it can undercut the goal of solving the problems of an entire community by shifting the focus to individuals.

Supreme Court Justice Sonia Sotomayor is the latest high-profile person to embody the American “rags to riches” story. Countless others have come before her—it’s certainly not impossible to escape an upbringing in a poor community. We delight in hearing these success stories. Hollywood has developed an assembly line devoted to producing movies of individual success. And our admiration for the “self-made man” stretches back before the celluloid era, as shown by the wildly popular Horatio Alger books of the 19<sup>th</sup> century. It suits the American mythos of rugged individualism to know that the triumph of the human spirit is possible anywhere. But these are the exceptions that confirm the rule. The fact that people like Sonia Sotomayor are so rare

## BOX 3.1 SEEDS OF HOPE IN PERRY COUNTY

Frances Ford is determined not to let Perry County, AL, go without health care. A registered nurse, Ford lives in Marion, the county seat, where she grew up. She attended local Judson College, as did her daughter.

In 2001, Ford left her job at a hospital in Selma, an hour away by car, to work for the Alabama Cooperative Baptist Fellowship as the coordinator of its Sewing Seeds of Hope project in Perry County. Sewing Seeds of Hope is part of the Together for Hope effort, which operates in some of the poorest counties in the United States, all of them rural places like Perry County, places where hope has been hard to come by. With the Sewing Seeds of Hope project, Ford is able to connect her professional skills with her faith to serve the community she loves.

One nurse by herself can't make up for the loss of Perry County's only hospital, but Ford knows the people in her community, and they know her, which multiplies her effectiveness in ways that may be impossible to quantify. Based on her own back-of-the-envelope estimates, she believes she touches 7,000–8,000 people per year with her nursing skills, advising and cajoling people to take care of themselves. Ford says that if each year she helps to prevent just two diabetes patients from entering end-stage renal failure, the Sewing Seeds of Hope project has paid for itself. End-stage renal failure entails costs for hospitalization, medications, and any complications. That's in addition to dialysis, which can cost more than \$100,000 per year per person.

Ford conducts health fairs and, less formally, talks about the importance of diet and exercise with everybody she sees. At the clinic she runs in Marion, she screens patients for diabetes and cardiovascular disease, helps them get the medication they need, and helps people arrange transportation to visit specialists in Selma or further away. Ever since she started working for Sewing Seeds of Hope, Ford has been lobbying local, state, and federal officials to open a dialysis treatment center in the county.

One of her most ingenious efforts so far has been to use the radio to reach members of the community. In the

15-minute call-in show, "Body Love," that she hosts on a local station, she takes calls from listeners and dispenses information about preventive health care and good eating habits. Callers ask her questions about anything from how to read food labels to how to cook soul food in more healthful ways. In one exchange, she encouraged a caller to try baking her catfish instead of frying it and asked her to call back next week to report to other listeners on how it tasted and whether the seasoning stood up as well as Ford said it would. In another, she invited listeners to join her in a group fitness walk or to drop by the clinic for free blood pressure screenings.



Frances Ford of the Alabama Cooperative Baptist Fellowship in summer 2009.

Overall, Ford thinks she has been successful in convincing people to start taking their health seriously. After visiting Ford's clinic, one woman told her doctor (one of Perry County's three family practitioners) that she wanted a colonoscopy because she had turned 50 and Ms. Ford said people of that age should get a colonoscopy as a preventive measure. The doctor told her she didn't need the procedure because she wasn't having any problems, but the patient responded that her father had died of cancer, she had seen what that was like, and she didn't care to wait for trouble to start.

cations. These investments finally began to pay off with economy-wide increases in productivity.

Now, policymakers and the private sector are hoping technology innovation can spur economic growth as it did in the 1990s. New investments to upgrade the nation's energy infrastructure are projected to create millions of new jobs and help the United States become more energy independent.<sup>8</sup> The real value of these investments, however, won't be clear for some time, perhaps not for decades. For now, there will be no swift return to full employ-

ment. But what happens over a longer time period depends on policy decisions being made today.

There is a caveat to the good news from the late 1990s. In 2000, concentrated poverty was lower than in 1990 but still higher than in either 1970 or 1980. From 1970 to 1990, the number of people living in high-poverty communities doubled.<sup>9</sup> Over this same period, rates of individual and family-level poverty scarcely changed at all.<sup>10</sup>

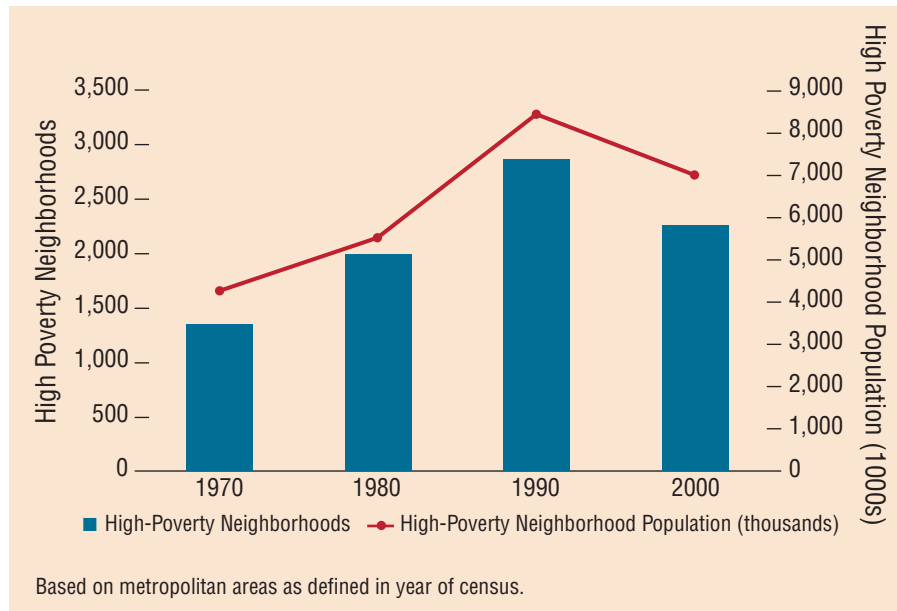
The late 90s was only a brief respite in a trend that indicates poverty is becoming more concentrated. Since 2000, both overall poverty and concentrated poverty have been rising again. The gains achieved in the late

1990s have already been erased by the recession that started in 2007. At this point, no one knows how many people will be living in poverty at the end of 2010, but the projections are very disturbing. Based on simulations he has done, the Economic Policy Institute's Lawrence Mishel thinks that child poverty could rise from 18 percent in 2007 to 27 percent in 2010. For African American children, the rate could rise from 34 percent to a staggering 52 percent.<sup>11</sup>

There is wide agreement as to why poverty has become more concentrated in the past decades: deindustrialization, particularly in the rust belt states of the Midwest and Northeast; the steady flight of the middle class out of central cities into the suburbs; other demographic shifts, like burgeoning numbers of poor immigrants entering the low-wage labor market; and dissolution of the two-parent family structure, particularly in African American communities. Areas that start with high levels of poverty may be stuck, with few assets to attract investment,<sup>12</sup> and never experience any economic growth.

Whether poor people are pushed by outside factors into areas where poverty is more concentrated, or they gravitate toward these areas on their own, the trend towards concentrated poverty makes it clear that we need anti-poverty efforts at the community level that are every bit as strong as

**Figure 3.2 High-Poverty Neighborhoods and High-Poverty Neighborhood Population, U.S. Metropolitan Areas, 1970-2000**



Source: The Bookings Institution.



those at the individual and family levels. As we saw this decade, when the economy slumps the gains are quickly erased. The past is also there to learn from. Public housing policy in the 1960s and 1970s, for example, was at best a mixed blessing, providing affordable housing to poor families while reinforcing social and economic exclusion. Cabrini Green in Chicago, a notorious example from this era in public housing, established a profoundly poor community of more than 15,000 people.

Public housing policy has evolved since its early experiments. In the 1990s, the Clinton administration boosted funding for mixed-income housing. The Obama Administration has proposed another evolution in housing policy by linking it to other components of community revitalization. The Choice Neighborhoods Initiative will be operated by the Department of Housing and Urban Development but creates partnerships with the Departments of Education, Transportation, Health and Human Services, and the Environmental Protection Agency. This is one of the most holistic approaches yet to community development. “For too long, government has funded housing, schools, and economic development in these communities as though they were islands unto themselves,” says Alan Berube of the Brookings Institution.<sup>13</sup> Evidence from the Harlem Children’s Zone in New York City suggests that a holistic approach can achieve impressive results in interrupting cycles of poverty in families. See article on pages 102-103.

The problems in places where poverty is widespread cannot be solved by jobs alone. But there are many ways that policymakers can help high-poverty communities so that they are no longer marginalized when the economy rebounds from recession. The following sections look at how policies can help communities get on a path to sustainable development.



In earlier generations of public housing policy, high-rise estates contributed to the concentration of poverty.

## Getting Places: Transit-Oriented Development

Federal and state transportation policies have done more to reinforce socioeconomic inequalities than to correct them. “Data that might help decide how to spend the money, such as economic benefits, environmental impacts, or social inclusion, is ignored or not even collected,” says Robert Puentes, a scholar at the Brookings Institution.<sup>14</sup> Federal spending on public transportation averages about 20 percent of all transportation spending. Since the end of World War II, transportation policies have favored building roads and highways instead of mass transit.

By favoring road and highway creation instead of public transit, policies have contributed to the exodus of the middle class from urban areas to the suburbs, pulling jobs with them and depleting the tax base in central cities. The resulting sprawl has led to higher costs of transportation for everyone, but the heaviest burdens have fallen on low- and moderate-income working families.

## BOX 3.2 THE HARLEM CHILDREN'S ZONE

by Cristina Sepe

In a speech on urban poverty given by then-presidential candidate Barack Obama, he described the Harlem Children's Zone (HCZ) in New York City as "an all-encompassing, all-hands-on-deck anti-poverty effort that is literally saving a generation of children in a neighborhood where they were never supposed to have a chance." In Harlem, 61 percent of all children live below the poverty line. Because poverty is a disease that infects the entire community, Obama explained, "We can't just treat those symptoms in isolation. We have to heal that entire community."

The HCZ serves more than 8,000 children and their families who live in a 97-block area, providing them with an interlocking system of education, social service and community-building programs from birth to post-college. Researchers Will Dobbie and Roland Fryer, from the Education Innovation Laboratory at Harvard, call the HCZ "arguably the most ambitious social experiment to alleviate poverty of our time."

Parents attend "Baby College" where they receive counseling on how to care for newborns and what to expect in the first months of parenthood. Early childhood

education includes an all-day pre-kindergarten program with a 4:1 child-to-adult ratio. Quality child care is also provided, allowing parents to work and young children to socialize and learn during a critical development period. Innovative charter schools are supplemented with after-school programs and summer programs. The HCZ also offers free preventive health services to help children stay healthy and medical services when they get sick. In addition, families gain access to affordable healthy food, job counselors, free tax assistance, technology training, and crime prevention.

"Today our children in Harlem are doing better than they have ever done before," said Geoffrey Canada, founder of the HCZ. Parents are reading to their children more frequently. All students in the HCZ's pre-kindergarten program are school-ready. Almost all students tested are performing at or above grade level in math. African American students in the charter schools have practically eliminated the black-white achievement gap on standardized test results. The prospect of higher education is a reality for these children—in fact, 91 percent of 2008's graduating seniors went on to college. Researchers Will

Dobbie and Roland Fryer concluded in their study that the HCZ is enormously effective at increasing the achievement of the poorest minority children.

Most school reform models attempt to lower racially- and ethnically-based student achievement gaps by quarantining the strongest students from the rest of the community. The HCZ takes a different approach, "contaminating" the community with hope to overcome despair, spreading effective



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practices, and engaging families through multiple local institutions. The HCZ acknowledges that “it is difficult, often impossible, to raise healthy children in a disintegrated community. Without local institutions that draw families and young people together around common interests and activities—religious, social, and recreational organizations; effective schools; safe and well-used public spaces—even the most heroic child-rearing effort is likely to fail.”

President Barack Obama requested \$10 million in his budget to jumpstart his campaign promise to improve the lives of many more children living in poverty. He has proposed 20 “Promise Neighborhoods” across the country, modeled after the HCZ, that would target areas with high poverty and crime rates and low student achievement.

But the HCZ model alone cannot transform public education. In 2008, the HCZ’s expenses for approximately 8,000 children were \$40 million, funded through private contributions and government grants. The Promise Neighborhood initiative provides competitive one-year planning grants to nonprofit, community-based organizations to support the development of plans for comprehensive neighborhood programs. Cities such as Baltimore, Boston, Charleston, Durham, Minneapolis, Philadelphia, and Pittsburgh are already preparing plans and building partnerships to compete for the federal money. “There’s no reason this program should stop at the end of those blocks in Harlem,” the president said. “It’s time to change the odds for neighborhoods all across America.”

*Cristina Sepe was an Emerson National Hunger Fellow through the Congressional Hunger Center in 2008-2009. She worked for part of her fellowship at Bread for the World.*

Working families spend, on average, 60 percent of their income on housing and transportation together.<sup>15</sup> After housing, transportation is the second highest household expense. In rural areas where commuting long distances to work is the norm, transportation costs can easily be higher than housing costs. Not surprisingly, families spend considerably less on transportation in communities with access to mass transit than in places where access is poor.

Housing and transportation can easily create a catch-22 situation for families. Housing costs are highest in areas closest to employment centers. In search of affordable housing, families move away from where jobs are concentrated, thereby raising their transportation costs. For every dollar saved on housing, working families spend 77 cents on transportation.<sup>16</sup> In a study of 28 of the largest metropolitan areas, the Center for Housing Policy found that for low- to moderate-income families, the cost of transportation overtakes the savings of living further away from work once commuting distances reach 12 to 15 miles.<sup>17</sup>

Housing and transportation needs are linked and must be considered together rather than separately. Chapter 2 argued that there must be more affordable housing to meet the needs of families facing severe housing cost burdens. Of all the government safety-net provisions to support low-wage workers, virtually none address high transportation costs. Policymakers seem to believe that this is the 1920s, when transportation costs consumed 3 percent of household income rather than the current figure of 20 percent. It says something about how little







**Mass transit should be one of the lynchpins in the U.S. strategy to fight climate change.**

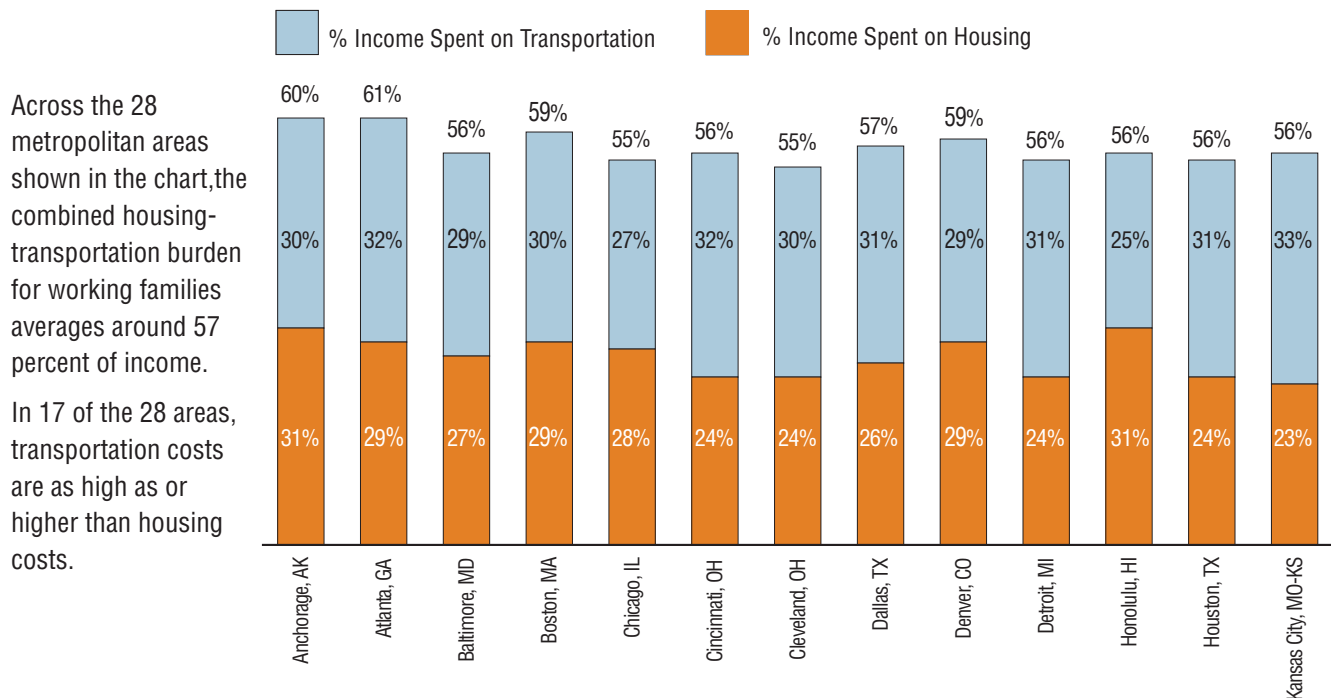
thought and advance planning has been given to transportation issues that, of the 20 fastest-growing counties in the United States, 15 are located 30 miles or more from the nearest central business district.<sup>18</sup>

Many cities around the country want to invest in mass transit in order to upgrade or build new light rail, streetcar, and local bus systems. The costs of transit-oriented development are steep. On average, up-front costs for light rail run between \$15 million and \$100 million per mile.<sup>19</sup> Clearly, cities won't find it easy to afford such sums in a time of recession. And states are legally obligated to balance their budgets, so it will be harder for them to contribute to such large investments without sacrificing other social programs, making federal support even more critical.

More than 85 percent of low- to moderate-income families use a car to get to work.<sup>20</sup> Mass transit can help these families and the communities where they live. Transit provides an affordable alternative to owning a car, connecting people to jobs, education, health care, shopping, and other needs. Moreover, extending mass transit to underserved communities increases economic growth in those communities. The downside is that housing and other living costs often rise as neighborhoods once lacking amenities such as public transportation become more attractive to middle-income households. Frequently, poorer families can no longer afford to live there.

While transit-oriented development requires large upfront costs, the long-term gains are simply too important to ignore. Investments in mass transit should be one of the lynchpins in the U.S. strategy to fight climate change, since transportation accounts for a third of carbon dioxide (CO<sub>2</sub>) emissions,

**Figure 3.3 What Working Families\* Spend on Housing and Transportation**



Source: Center for Housing Policy, 2006, Center for Neighborhood Technology calculations.

\* Working families are households with incomes between \$20,000 and \$50,000.

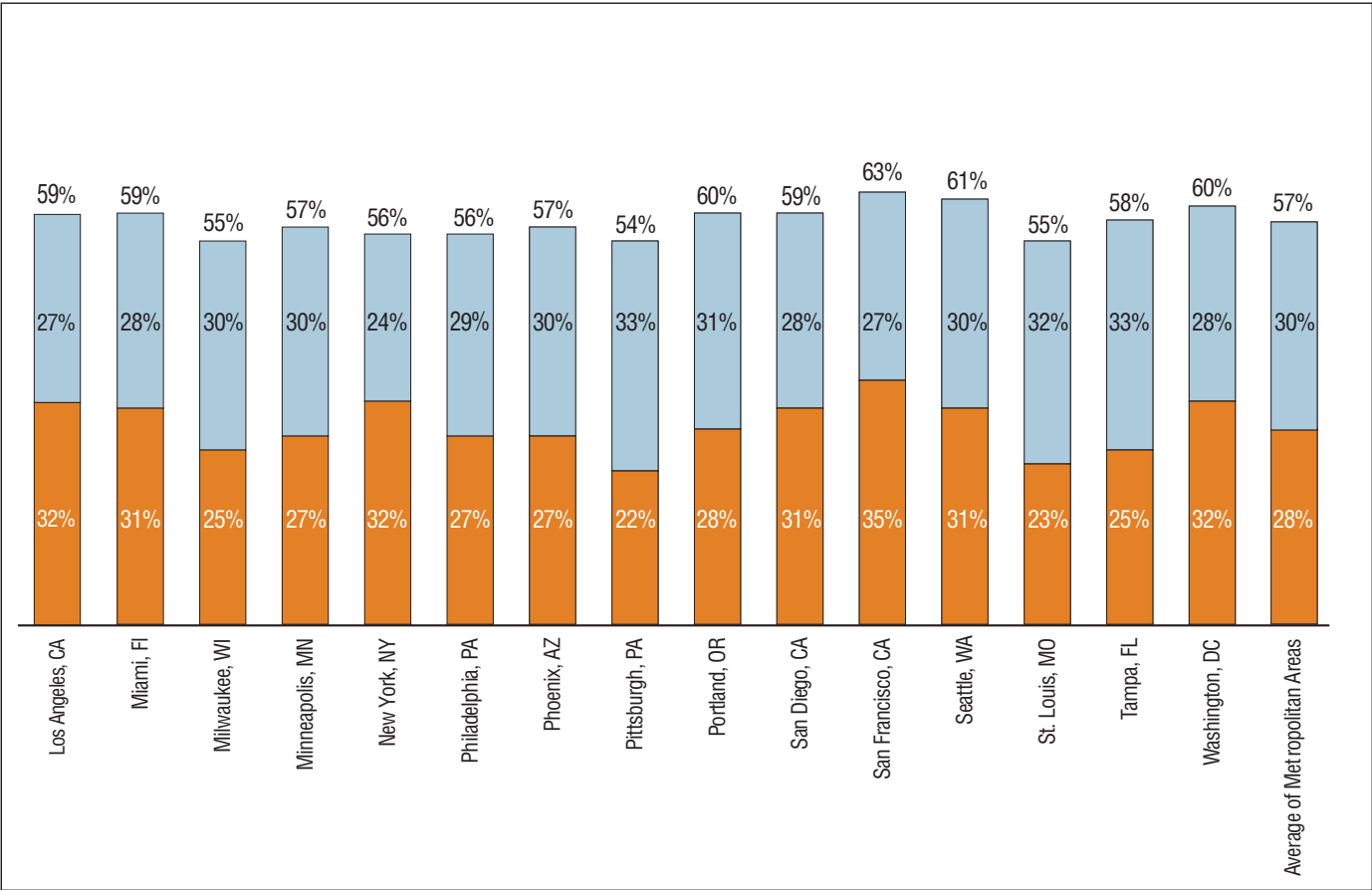
of which the largest share comes from cars.<sup>21</sup> Investments that increase the use of public transportation mean fewer cars on the road, which means less CO<sub>2</sub> in the atmosphere.

New investments in the nation's transit infrastructure are long overdue. As a percentage of Gross Domestic Product (GDP), government spending on infrastructure peaked during the Eisenhower administration in the 1950s and has been declining steadily in the decades since. Yet in terms of creating jobs, government spending on infrastructure projects offers one of the best returns on investment. On average, a dollar spent on infrastructure generates \$1.59 in economic growth. Investments in mass transit create 19 percent more jobs than comparable investments in roads or bridge projects.<sup>22</sup> Plus, these are labor-intensive jobs, mostly in construction, a sector that has shed nearly 1.5 million jobs since the recession began in 2007.<sup>23</sup>

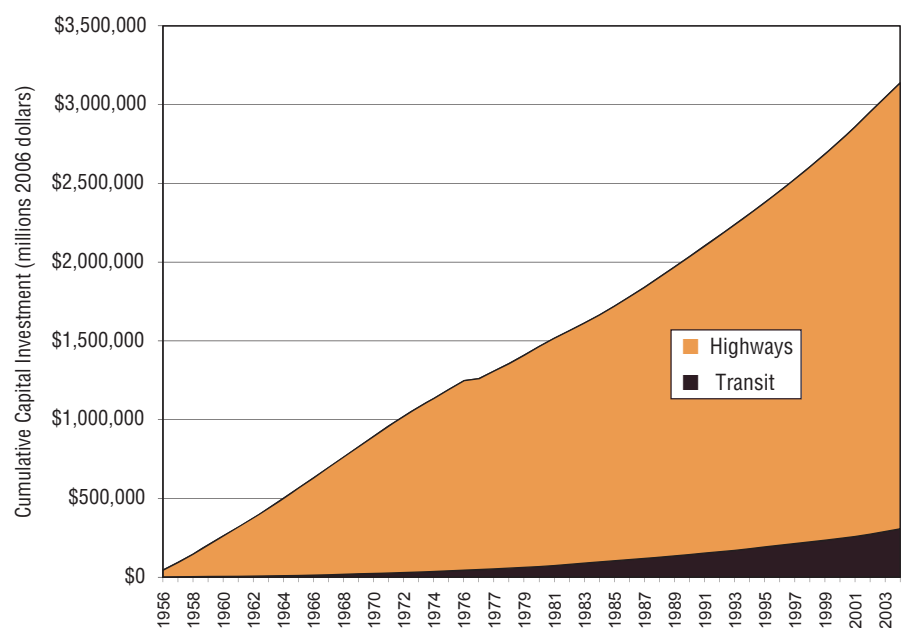
Proponents of mass transit have been described as having a metropolitan bias. This should not be a criticism since most Americans work in metropolitan



Mark Fenton



**Figure 3.4 Cumulative Government Capital Investment in Transit and Highways Since 1956**



Source: U.S. Congressional Budget Office, 2007.

areas and metropolitan areas generate 75 percent of the nation's GDP.<sup>24</sup> Moreover, transportation policies have had an obvious anti-metro bias for decades. Even the forward-looking American Recovery and Reinvestment Act of 2009, rightfully praised for ramping up investments in clean energy and green jobs, continued to adhere to the status quo, allocating the bulk of its transportation resources to road repair and construction rather than mass transit.

To be fair, the legislation necessarily focused on “shovel-ready” projects. But today's needs are not the same as yesterday's needs. Climate change and the need to lower CO<sub>2</sub> emissions

should shift the balance irrevocably to mass transit.

## Hunger-Free: Community Food Security

In Perry County, AL, diabetes rates are five times the national average. The county has been described as a “food desert,” meaning there is extremely limited access to healthy foods. Frances Ford, who grew up in Marion, the county seat, remembers a choice of three grocery stores in the 1960s and 1970s. Now there is one. The high rates of obesity and diabetes are related to the lack of access to healthy foods, and not having adequate health care services makes the situation that much worse.

The idea of food security generally focuses on individuals and households. A household where food is readily available is considered food secure. Having food means being food secure. Conversely, a household struggling to put food on the table is food insecure. Such clear cause and effect relationships make food security a relatively simple concept.

By the mid-1990s, another concept of food security began to emerge. “Community food security” does not replace household food security as a framework for understanding hunger in a household. Rather, community food security starts by recognizing that there are underlying social, economic, and institutional factors that extend beyond any one individual or family's circumstances. In some communities, particularly impoverished inner cities and rural areas, grocery stores are few and far between. The routes of the public transportation system may be a crucial factor in people's access to food. Beyond these examples, there could be a host of issues that, once viewed through the broader lens of community realities, provide a more complete understanding of what determines household food security.



Community food security adopts what researchers Mike Hamm and Anne Bellows describe as a “systems” approach. As they put it, “A food systems approach to childhood obesity might address the lack of fruits and vegetables in the diet; the lack of fresh fruit and vegetable vendors in a neighborhood (and the surplus of calorically dense food); the dearth of local gardening opportunities, farms, and farmers’ markets as sources of fresh fruits and vegetables; the diminishing knowledge base regarding fruit and vegetable recognition and preparation; and a decline in school-based physical education programs.”<sup>25</sup>

Hamm, who holds the C.S. Mott Chair of Sustainable Agriculture at Michigan State University, and Bellows, of Rutgers University, are credited with providing the widely accepted definition of community food security: “... a condition in which all community residents obtain a safe, culturally acceptable, nutritionally adequate diet through a sustainable food system that maximizes community self-reliance and social justice.”<sup>26</sup>

Linda Kantor, writing in the USDA publication *Food Review* (2001), sees the community food security concept emerging in the alliances that are forming between federal nutrition programs and emergency food assistance programs and other community-based programs. All of these seek to move people from poverty to self-sufficiency and food security.<sup>27</sup> In the emergency food system, food banks serve as the focal point within a network of partners that may include not only food pantries and community groups, but also municipal governments and industry. ConAgra Foods, one of the largest food companies in North America, donates trucks to transport donated foods to food banks and food-rescue organizations and serves as a national sponsor of the Kids Café program. Eradicating hunger in communities requires partnerships—any one organization or program acting alone cannot reach the goal.

Variations of the community food security model, while not always called that, have been around for some time. In 1977, a professor of urban studies at the University of Tennessee in Knoxville led a team of graduate students in uncovering the inequities in the local food system. Five years later, partly in response to what this study revealed about the lack of coordination between government departments and private organizations, Knoxville established the first food policy council in the United States.<sup>28</sup> Food policy councils advise policymakers on a variety of issues affecting local food systems. Typically, they include anti-hunger groups as a part of a broader coalition of interests in the local food system. Food policy councils may include—but are not limited to—farmers, grocers, restaurateurs, school system administrators, religious leaders, academics, and government representatives. The idea is that thinking broadly about a community’s food sys-



Food pantries play a vital role in making sure communities remain hunger-free.

tems offers more opportunity to come up with creative solutions to problems.

“Food policy councils, when they are functioning properly, are food system planning boards, of which there is no other model like that anywhere,” says Mark Winne, who advises the governor of New Mexico on a statewide food policy council. Earlier in his career, Winne headed up a food policy council in Hartford, CT, appointed by the mayor and city council. Hartford is one of the poorest cities in the United States, with more than 30 percent of the population living below the poverty line. In 2001, enrollment in the WIC pro-

gram was declining in the city for no obvious reason. The Hartford food policy council was charged by local leaders with ascertaining the cause of the problem.

After investigating, the council found that there were three clinics in the city that worked with WIC participants. One was closed because of a fire and had not been open for a year, and the others had no nighttime or weekend hours. The food policy council convinced the relevant city authorities to make needed improvements in the quality of service; as a result, participation in the program increased to the level expected during a time when poverty rates were rising.<sup>29</sup>

Another study by the Hartford food policy council led to the estab-

lishment of a bus route connecting residents of low-income neighborhoods to affordable food stores, saving them an average of 45 minutes in travel time. The food policy council supported the implementation of child nutrition programs, including workshops for teachers and administrators about the School Breakfast Program. They monitored meal quality and participation rates in the Summer Food Service Program.<sup>30</sup> “There was a collective wisdom there that was rich and made the council an effective body in the city,” says Winne. “People on that council knew more collectively about our food system than any other group of people or agency or program in the city.”

Federal policies can facilitate partnerships such as food policy councils. The persistence of hunger in the United States demands a range of creative thinking, attuned to nuances that one only sees by being part of a community. In 2008, Bread for the World helped shape such policies with the Hunger-Free Communities Act, enacted as part of the U.S. farm bill. One key provision is designed to support grants to organizations working in partnership to distribute food, improve access to healthy foods, develop outreach strategies to increase participation in federal nutrition programs, provide nutrition education, and identify other solutions to hunger. The Hunger-Free Communities Program has been both authorized and funded for 2010.



Federal nutrition programs are finding ways to connect the people who rely on them with a healthy selection of foods.



## BOX 3.3 COMMUNITY FOOD SECURITY IN NEW ORLEANS

by Sarah Custer

When asked whether they had to travel miles to get to a grocery store, everyone at the Greater Little Zion Baptist Church in New Orleans' Lower Ninth Ward raised their hands.

Access to nutritious food was a problem before Hurricane Katrina, and since then the number of supermarkets has decreased by half.

"It's ridiculous that I should have to go all the way uptown to buy groceries for myself and my daughter. This is an injustice," says Jenga Mwendo, a longtime resident of the Lower Ninth Ward and organizer at the Lower Ninth Ward Urban Farming Coalition.

The lack of access to affordable, healthy foods is a problem in many New Orleans neighborhoods, where it's much easier to buy fast food than it is to find fresh fruit.

Louisiana was ranked the least healthy state in the 2008 *America's Health Rankings* report, in large part due to residents' unhealthy diets. More than 60 percent of people in New Orleans are overweight, and one in three adults has been diagnosed with high blood pressure.

People's choices about the food they eat are influenced by their environment. For example, studies show that for every additional supermarket in a census tract, African American residents consume 32 percent more fruits and vegetables.

New Orleans, like other urban areas across the country, has an extensive network of small food stores. A survey of low-income New Orleans residents found that most live within walking distance of a corner store, and they shop there an average of 14 times a month; these stores play a vital role in the food security of many families.

Corner stores, however, tend to carry mostly snacks and drinks with low nutritional value. But because they are already present in most communities, partnering with corner stores can be a successful way to make healthy foods available to people. Store owners have indicated that if they know that customers will buy fresh produce, they would be willing to stock it. "Tell us what

you want," says Ray Khalaileh, the owner of Jimmy's Grocery in the Bywater neighborhood, who recently expanded the selection of fruits and vegetables in his store. "Give us a chance to do something positive. If customers don't tell us what they want, we don't know."

Corner store owners, neighborhood and merchant associations, urban farmers' groups, and public health institutions are beginning to work together in the city to make fresh produce available to more people. The city of New Orleans is introducing new grant and loan programs for fresh food retailers, and small food stores committed to selling fresh produce will be eligible for them. Hopefully, the community support and financial incentives will help overcome the barriers that keep some corner stores from selling produce.

Access to nutritious and affordable food should be a basic right for all people. The reality is that many families in New Orleans find themselves in a barren food landscape. Where market forces do not ensure that healthy food is available, communities can take charge and change their neighborhood environment.

*Sarah Custer was a Congressional Hunger Fellow in 2008-2009. From September 2008 through February 2009, she was in New Orleans working on community food security in the Lower Ninth Ward. For the rest of the fellowship, she worked for the Alliance to End Hunger in Washington, DC.*





## Career Builders: Community Colleges

Community colleges are unique in America's landscape of postsecondary institutions, and the range of services they provide makes them a vital resource for developing the human capital of high-poverty communities. The American Association of Community Colleges describes the community college's role as offering postsecondary education to "all who desire to learn, regardless of wealth, heritage, or previous academic experience."<sup>31</sup> There are more than 1,100 community colleges in the United States, and the number rises to more than 1,600 if branch campuses are counted.

For students with limited financial resources, community college is a practical alternative to a bachelor's degree program. Tuition is less expensive at community colleges, and by carrying a full load of credits each semester, students can complete an associate's degree program in two years, half the time required for a bachelor's. Graduating with an associate's degree does not preclude pursuing a bachelor's degree afterwards; many students use community college as a stepping stone to a more advanced degree.

In addition to educating students in traditional academic subjects, community colleges offer postsecondary credentials in numerous job fields. Workforce development programs at community colleges attract both recent high school graduates and older workers looking to develop their skills or move into a different line of work altogether. Much of the vocational training done in the United States takes place in community colleges. Community colleges are as important to the nation's workforce development agenda as any of our learning institutions.

Community colleges perform another important function by providing remedial education, such as a GED, often in preparation for postsecondary education. People growing up in high-poverty communities often get a poor education in primary and secondary school and find themselves ill-prepared for college-level work. A survey by the National Commission on Adult Literacy found that 88 million U.S. workers lack basic skills needed to obtain a postsecondary credential.<sup>32</sup> At a community college, it is possible for students who lack college-level writing, reading, and math skills to strengthen these skills while still obtaining a credential that expands their employment opportunities.

A postsecondary credential is crucial to finding a job at a wage that will support a family. At the beginning of the 20<sup>th</sup> century, the United States committed itself to providing every student with free secondary education. Within a few short decades, U.S. economic growth rates dwarfed those of many other countries. After World War II, the G.I. Bill made a similarly bold commitment to provide vocational training and a college education to veterans,

fueling a postwar economic boom that lasted for decades.

College completion rates began to plateau in the 1970s, partly because so many students in community colleges do not finish their degrees. Enrollment at community colleges is increasing at twice the rate of four-year colleges,<sup>33</sup>



Community colleges are one way for people already in the workforce to gain new skills.

but only half of students who start at a two-year college make it through their second year. Of all students who have entered community college since 1995, nearly two-thirds have not completed a credential.

There are nearly 50 million people in the United States aged 18-44 with a high school diploma or less.<sup>34</sup> To find them, simply look at communities with high poverty rates. If education lays the groundwork for future economic success, the last, best chance some people have to build a solid foundation for themselves is at a community college. The Workforce Alliance, a national group of employers, unions, and education and training providers, estimates that 8 out of 10 jobs in the United States are out of reach to workers without a postsecondary credential.<sup>35</sup> Two-thirds of all new jobs in the next decade will require some postsecondary experience—for example, in the new green industries of solar and wind power, energy efficiency, and waste management. For most of these jobs, a four-year college degree is not required.

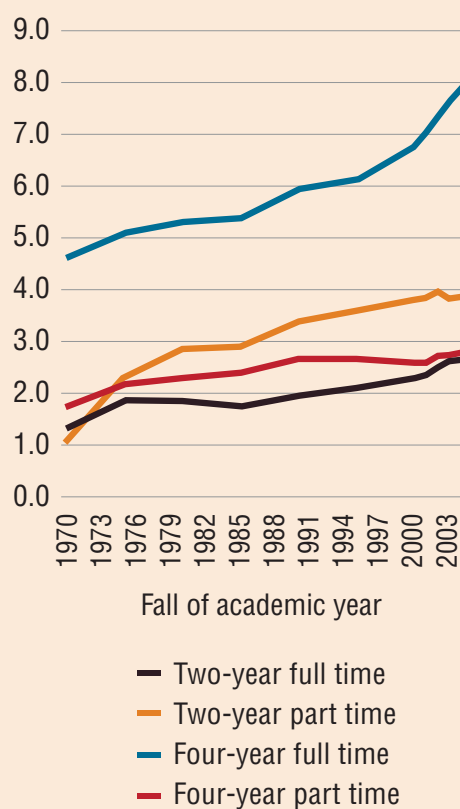
In the laboratory setting of economic theory, anyone can see that a college education is a wise investment. Almost every low-income child says he or she would like to go to college. It's as clear to them as it is to anyone reading this report that college leads to opportunities that wouldn't exist otherwise. Unfortunately, economic theory does a poor job of accounting for the constraints low-income students face, such as being forced to choose between college and earning income that their families need. Other barriers include the unavailability of loans for higher education, not having a car or access to transit, and lack of affordable childcare. When the entire risk of attaining a postsecondary education falls on the individual, it's understandable when people don't take that risk.

On average, community college students are older than students at four-year colleges and more than twice as likely to be employed.<sup>36</sup> Juggling job and family responsibilities, community college students are less likely than four-year students to attend full time, even with the lower tuition costs. Community college students tend to come from lower socioeconomic classes than four-year college students.<sup>37</sup> Two-thirds of all Hispanic college students and nearly half of all African American college students attend a community college.

The economic development of high-poverty communities ultimately depends on the human capital in these communities. Being dependent on government transfer payments is not a sustainable solution to poverty. The assumption that government can't do more or shouldn't do more to support low-income postsecondary students needs to be challenged. Low-income students have a much harder time completing their degrees than higher-income students. Yet students at community colleges are less likely than students at four-year colleges to receive financial aid in the form of grants. In part this is due to the lower tuition costs, but it's also because more community college students are attending part-time. Students who choose to attend part-time because of the need to support their families should not be automatically ineligible for federal tuition assistance.

**Figure 3.5 Total Enrollment at Two- and Four-year Colleges**

By type of enrollment, 1970–2005  
In millions



Source: U.S. Department of Education, 2007.

Community colleges receive most of their financial support from states and localities.<sup>38</sup> The federal government has dramatically underinvested in community colleges, spending \$2 billion per year compared to \$20 billion on four-year public universities and \$60 billion on grades K-12.<sup>39</sup> President Obama intends to increase federal spending on community colleges by an additional \$12 billion over 10 years. For their part, community colleges should do more to ensure that students stay in school and obtain a credential. Colleges, both two-year and four-year, have not been asked to prove that they are making efforts to raise student completion rates. Instead, all government support has been based on enrollment. The new investments in community colleges should come with a goal of strengthening performance.

## On the Margins in Urban America: The South Bronx, New York City

High-poverty inner-city neighborhoods are crowded places. In the Hunt's Point neighborhood of the South Bronx, for example, about 50,000 people make their home in an area of little more than two square miles.<sup>40</sup> Half the population here lives below the poverty line. Hunt's Point's congressional district (NY-16) is one of the poorest in the country.<sup>41</sup>

Another characteristic of poor inner-city neighborhoods is toxic air pollution. Few places are worse off than Hunt's Point. Each week thousands of heavy trucks roll through Hunt's Point—60,000 diesel truck trips per week. The Hunt's Point neighborhood processes 40 percent of New York City's waste, including all the waste produced by the 1.3 million people who live in the Bronx.<sup>42</sup> The neighborhood has some of the lowest air quality in the

country. More adults and children from Hunt's Point are hospitalized each year with asthma attacks than anywhere else in New York.<sup>43</sup>

The chance of finding a power plant or dump in a poor community is at least as good as finding a high-performing school in a wealthy neighborhood. Residents of wealthy communities don't allow waste processing facilities. People mobilize to fight them. They hire lawyers or let the lawyers among them do the job. Poor communities are not powerless, but they rarely have sufficient resources to fight back effectively.

The decision to dump much of the city's waste in Hunt's Point was not made by anyone who lives here. Nor was the decision to build a cement factory across from a 14-story housing project in the Bronx River neighborhood. When windows are open, dust from the factory settles inside apartments and people's lungs. On scorching summer

days, it's nearly impossible not to leave windows open since it's simply too expensive to run an air conditioner all day.

In Hunt's Point, the polluters are getting a free ride for now. The costs to the environment and public health are not theirs to pay. But the scales could



Rick Reinhard

High poverty rates are a virtual guarantee of finding a high incidence of severe asthma.



turn in favor of the community once a price is set on the main greenhouse gas contributing to climate change, CO<sub>2</sub>, which pours from the tailpipes of trucks and the stacks of cement factories.

One of the hardest things about working to change conditions in high-poverty communities is persuading people that change can really happen. “People who live in such communities find it easy to become jaded,” says Flavia DeSouza, an organizer with Bread for the World who has worked in the South Bronx. “And then they don’t believe change is possible, even if they work together.”

In chronically poor communities, whether urban or rural, well-meaning people come from out of town to offer their help, outraged by injustices like those visited upon Hunt’s Point. They come in and repair a roof or plant a garden. To the outsiders, many of the people who live in the neighborhood appear numb or indifferent to the good deeds that are done. It’s not that residents resent the charity being provided, but when the visitors go home, they remain in a poor community. Hunger hasn’t changed, the air is still rank, and the people who live here are no more empowered than before.

### ***Sustaining the South Bronx***

The local nonprofit Sustainable South Bronx (SSBX) was founded in 2001 in an attempt to re-brand the Hunt’s Point neighborhood from an area known for pollution, poverty, and gang violence to a leader in the fledgling green jobs movement. SSBX trains 60-80 workers per year in trades like weatherization, landscaping, toxic waste cleanup, ecological restoration, and green-roof installation. After decades of neglect and decay, the neighborhood itself can provide all the hands-on instruction needed to produce trained workers in these disciplines.

SSBX built the first green roof demonstration project in the city. Green roofs are covered with soil and plants instead of petroleum-based roofing materials. These roofs absorb heat from the sun to help mitigate what is known as the “urban heat island” effect,<sup>44</sup> meaning that the closely spaced buildings of urban environments cause surface temperatures to rise, sometimes by several degrees. Green roofs help cool air temperatures. They also absorb water, minimizing storm-water runoff, and provide a natural insulating effect during winter, making buildings more energy efficient.

Eighty-five percent of SSBX training graduates get jobs. These are the kind of jobs they can use to build careers, particularly since green jobs are a growth industry. The best way to reduce CO<sub>2</sub> emissions in the short run is to improve the energy efficiency of existing buildings. According to the

**Hunt’s Point neighborhood has some of the lowest air quality in the country.**



**Green roofs, like this one, don't need to be fancy to make buildings more energy efficient.**

National Renewable Energy Lab, the major barrier to improving energy efficiency is the lack of skilled workers.<sup>45</sup>

A neighborhood like Hunt's Point would be the ideal place to direct resources to improve energy efficiency. Block after block of substandard, energy-inefficient building stock is right here. If decisions are based solely on where the greatest CO<sub>2</sub> reductions can be made, Hunt's Point and similar neighborhoods win hands down.

But investment decisions are also influenced by the same factor that made these neighborhoods vulnerable to becoming pollution havens in the first place: political influence. It's very hard for Hunt's Point to compete for resources against areas with more clout.

SSBX training programs are a combination of soft and hard skills. Soft skills include training in areas such as writing resumes, interviewing for jobs, money management skills, and time management. "[Students] are gaining skills that make them employable and also help them retain that employment," says Miquela Craytor, executive director of SSBX.<sup>46</sup> All of the SSBX trainees are low-income and come from the South Bronx and neighboring communities. Many are men who have previously been incarcerated and are looking for a second chance. Every year, more than 630,000 people are released from prison across the country,<sup>47</sup> and most return to urban neighborhoods like Hunt's Point, where they struggle to rebuild their lives

and contribute to their families and communities. In addition to a shortage of marketable skills, they deal with the stigma of having been incarcerated.

"We are trying to create pathways out of poverty," says Craytor, emphasizing that the training program is just as focused on transforming individual lives as it is on greening communities. She realizes that what SSBX has accomplished is a drop in the bucket compared to the need for job training. But SSBX can't expand its programs without a significant financial boost to build organizational capacity.

There would seem to be few groups better positioned than SSBX to make the most of workforce development resources to provide green job training. SSBX remains a small operation, and with that comes limits on the types of grants it can qualify for. This is a problem for any group that is working in a disadvantaged community. With more resources, SSBX would be able to hire more staff and expand its area of operation, but it also risks becoming a different kind of organization, not the small grassroots community group founded to serve people in Hunt's Point.



Todd Post

Amilcar Laboy, a graduate of the Bronx Environmental Stewardship Program, now works at Sustainable South Bronx.

## On the Margins in Rural America: Crow Creek Indian Reservation, South Dakota

Buffalo County, South Dakota, home to the Crow Creek Sioux Reservation, has the distinction of being the poorest county in the United States, with an average per capita income of \$5,233.<sup>48</sup> There are 2,142 people in Buffalo County, according to the last census, roughly 10 percent of the population of Hunt's Point in the Bronx and occupying about 200 times as much land.

The vastness of an Indian reservation contrasts starkly with poor urban areas. Remoteness is what defines life on the reservation. The South Bronx is the poorest congressional district in the United States, but the richest is just a couple of subway stops away.<sup>49</sup> From Crow Creek, the nearest town off the reservation is 25 miles away, which might as well be 2,500 miles if you haven't got a car or can't afford to fill the tank with gas. Unlike in New York, there is no nearby public transportation to get you where you need to go. To put it bluntly, many people are literally stuck.

Hunger is always lurking on the reservation. It's not the milder form of hunger known to the U.S. government as "low food security." Here we find the painful, stomach-churning hunger described blandly as "very low food security." The Boys and Girls Club is a magnet for hungry children on the reservation. Ronda Hawk, the director of the Crow Creek chapter of the Boys and Girls Club, knows that parents send their children to her because of the lack of food at home. She and her board members are very good at scraping together every available bite of food to give to the children. Ronda has spent her whole life working around hungry children and watching the effects of hunger carry over from one generation to the next. When children begin getting failing grades and skipping school, all too often the next step is dropping out of school altogether, followed by joblessness and substance abuse. Each phase hardens a shell of despair that becomes more and more impervious to change.

Hunger harms people of all ages, but the harm done to children is saddest of all. The trajectory of a person's life is just beginning. If we try, we can bend the arc of the trajectory in a different direction, away from the outcomes Ronda Hawk knows all too well. Americans are not heartless people. They respond to crisis as it becomes real to them. President Obama has set a goal to end child hunger by 2015, but so far the goal has drawn little attention except from inside-Washington policy watchers. A hunger crisis is an everyday reality in a place like Crow Creek. But the trouble is that Crow Creek is as far as you can get from the everyday reality of most Americans.

The big news on Crow Creek, as on Rosebud and other neighboring reservations, is the potential to make renewable energy out of the wind that



Ronda Hawk runs the Crow Creek Reservation Boys and Girls Club, a haven for hungry children in the community.

Todd Post



blows through. Few turbines are spinning yet, though, because the existing infrastructure to move the energy from the reservation to the population centers of the country isn't able to handle the load. Federal investments through the American Recovery and Reinvestment Act of 2009 and additional monies committed in the American Climate and Energy Security Bill of 2009 made a down payment on the necessary upgrades to the nation's electric grid. The economic rewards that could eventually flow to the reservation are substantial. Although it's not described this way in the media, it's compelling to think of how wind power could improve the lives of children on the reservation.

### *Harvesting Initiative*

Unemployment on the Crow Creek reservation rarely falls below 50 percent. Wind power alone won't create enough jobs to dramatically reduce this depressing statistic. While a wind farm can create a handful of jobs to install the turbines and later maintain them, the largest share of jobs in the wind power industry comes from the manufacturing of parts, which will be done off the reservation. Crow Creek stands to benefit mainly from the land

payments negotiated with commercial developers and the reduced cost of electricity to consumers.

It's highly unlikely that a large employer will relocate to the reservation. The prospects for job creation here depend on small business growth and homegrown entrepreneurship. Currently, the largest private sector employers are a small grocery store, a convenience store, and a casino. Six percent of the population earns a share of their living from self-employment. Government services account for most of the jobs. As in many poor communities in the United States, the school system is the largest employer.

"The human capital to run businesses is right here," says Dustin Miller, who with Jason Yates co-directs the nonprofit Harvest Initiative, which was established in part to help start native-run businesses on the reservation. In the year since Harvest Initiative was incorporated, Miller and Yates have raised close to \$1 million to sponsor lending and financial literacy. They have assisted 30 existing and potential entrepreneurs on the reservation, leading to the formation of 7 nonprofits and 5 for-profit ventures. They hold an adult financial literacy class, a "Money Matters" course through the Boys and Girls Club, and a business law class at Crow Creek's high school. Miller serves on the board of the Boys and Girls Club.

Harvest Initiative was established by Barry Griswell, a former business executive, who in 2009 was inducted into the Boys and Girls Club of America Alumni Hall of Fame.<sup>50</sup> Griswell grew up

in an extremely poor family and credits the Boys and Girls Club with helping him to rise above poverty and achieve success. Miller and Yates both graduated from Drake University Law School in 2008. With family backgrounds in missionary work, they were eager to join Harvest Initiative, and though neither is Native American, they work closely with the tribal government and have earned tribal members' respect. Harvest Initiative has built trust by



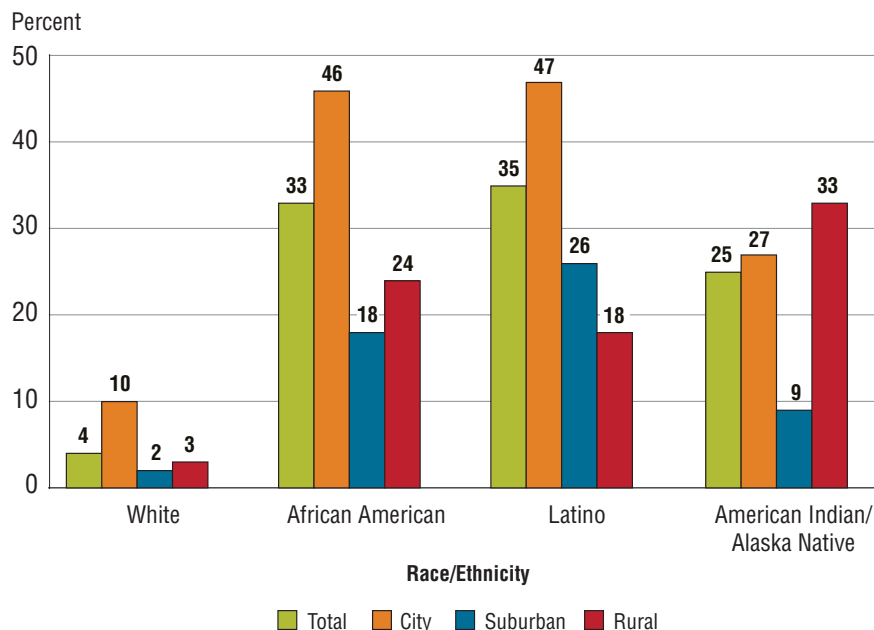
Chauncey Long Crow lives on the Crow Creek Reservation in South Dakota.

writing grants that secured hundreds of thousands of dollars in USDA rural development funding. Working with the Bureau of Indian Affairs, it also helped the tribal council develop a wind energy prospectus.

When Miller says the human capital is here, outsiders might find reason to doubt. Poverty, unemployment, high dropout rates, and alcoholism—on paper, the reservation’s human capital doesn’t seem impressive. But Miller knows something else. “Where I grew up in rural Iowa, unless you wanted to farm you were encouraged to leave. Here it’s different, the family ties are strong.”

In most persistently poor rural areas, outmigration is taken for granted. People with drive and talent, especially young people, leave when they get the chance. Home is not a place they can shine. People leave Crow Creek as well, moving off the reservation to find work or join the military—but a large percentage of them return. Family is a safety net for those who encounter discrimination and other difficulties off the reservation. They bring skills back with them, but a lot of their talent is wasted because there are few outlets for it.

**Figure 3.6 Percentage of Public Elementary/Secondary Students in High-Poverty Schools, by Race/Ethnicity and Locale, School Year 2006-07**



Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), “Public Elementary/Secondary School Universe Survey,” 2006-07

## Children and Their Communities

Anybody experienced in handling U.S. poverty data would point out that most poor people do not live in high-poverty communities. More poor people live in suburbs than in rural or urban areas. But poor households in non-poor communities are much better off. They benefit from assets in their community that don’t exist in poorer ones. Clean air, for example, is rarely considered an asset vital to escaping poverty, until it is replaced by toxic fumes from diesel trucks. Examples throughout this chapter illustrate how poor communities do without assets that are taken for granted in better-off communities.

We can do a much better job of reducing poverty by improving government assistance to households in need. But there is no way to end poverty and its companion, hunger, until we pay special attention to the needs of poor, marginalized communities like Crow Creek, Hunt’s Point, and Perry County. This chapter offers a broader perspective on what families in such environments need to prosper. It’s a far greater challenge to address those needs than to target assistance to individual households.



Two out of three black children born between 1985 and 2000 are growing up in a neighborhood with at least a 20 percent poverty rate.

If we are serious about ending child hunger, helping marginalized communities is not a challenge we can afford to take lightly, explains a 2009 study by the Pew Charitable Trust. Analyzing decades of census data, researcher Patrick Sharkey found that the strongest determinant of a child's economic and social mobility is the level of poverty in the neighborhood where he or she grows up.<sup>51</sup> The data revealed that children growing up in neighborhoods where there was a reduction in poverty of 10 percent or more had higher incomes as adults than children growing up in neighborhoods where poverty rates did not improve.

"These data provide support for the idea that neighborhoods, communities, and metropolitan areas are central to processes of economic mobility," said Sharkey.<sup>52</sup> Neighborhoods matter more than parents' incomes, education, or marital status—more than any other factor. Ignoring this fact amounts to child neglect on a societal level.

The existence of poor neighborhoods undermines the whole notion of inclusive and sustainable economic growth.

## Key Points in Chapter 3

Persistently poor communities require attention over and above what is done to help poor households living there.

The problems that plague these communities, such as joblessness, lack of services and crumbling infrastructure, go largely ignored because the solutions are difficult and complex and require a substantial commitment of time and resources.

Ignoring the problems that exist in poor communities contributes to their social and economic marginalization and lowers the chances of the families living there to succeed.

Investments in the following would help to turn around poor communities:

- **Transit-oriented development.** Public transit connects people in disadvantaged communities to job opportunities; lowers the burden of transportation costs; reduces greenhouse gas emissions contributing to climate change; and increases the potential of economic development in communities where development is depressed.
- **Community food security.** Poor communities tend to lack access to fresh foods at affordable prices. Access to healthy foods is a key determinant of the overall health of the people that live in a community.
- **Community colleges.** Development of poor communities depends on the skills and knowledge of the people that live there. Community colleges provide a menu of options to increase human capital through postsecondary education.



# CENTRAL APPALACHIA: THE BACK STORY

People in Eastern Kentucky are tired of being portrayed as uneducated hillbillies unable to help themselves. In February 2009, the ABC television show *20/20* nourished this ugly stereotype with an episode on the region. Not surprisingly, large numbers of local people were incensed, their indignation pouring out in letters to the editor in regional newspapers and on YouTube videos like the one by Bob Allen, a high school math teacher in a town mentioned in the program. Allen chided the reporter, Diane Sawyer, for lack of sufficient curiosity to hunt for something more original.<sup>1</sup> At the end, he apologized sarcastically for not including subtitles while he spoke. In the *20/20* episode, subtitles were used when people from the region were talking, yet there was no one whose speech was unintelligible.

In 1964, President Johnson launched the War on Poverty in Martin County in Eastern Kentucky. The photograph of Johnson kneeling on local resident Tom Fletcher's porch with Fletcher and three of his children in the picture is an iconic image in the War on Poverty. The focus of the camera is on the two men, Johnson's profile and Fletcher's worn face with hardened lines and rotted teeth.

Johnson picked Central Appalachia for a reason. The deep and persistent poverty here presented a challenge in which a metaphor like war probably felt like the right language. More than 40 years later, we still find 29 of the 100 poorest U.S. counties in Eastern Kentucky.<sup>2</sup> Materially, conditions here are better than they were 45 years ago, but in all this time, little has changed to give local people more opportunities to escape poverty.

## King Coal

Eastern Kentucky, like other impoverished areas of Central Appalachia, carries another association: coal mining. The *20/20* episode discussed coal mining but missed a chance to educate the public about the close relationship between the presence of coal and poverty. The documentary represented coal mining as one of the

few economic opportunities available to young people in the region. That may be accurate, but it would have been helpful to relate why there are so few other options and how coal is implicated in perpetuating poverty in the region.

Jeff Goodel, author of the book *Big Coal: The Dirty Secret Behind America's Energy Future*, describes Central Appalachia as more like the Congo than the rest of the United States.<sup>3</sup> This would seem to be an exaggeration until you grasp what the Congo and Central Appalachia have in common. Both have been plagued by what's



known as the “resource curse.” Vast natural resources have made a small group of people extremely rich and left most of the local population very poor.

In Central Appalachia, the spoils have gone mostly to outsiders in the mining industry who share the wealth with elites who control state politics. But it's not inevitable for places endowed with a bounty of natural resources to follow this path. Greed, and complicit policies that permit it to continue, explain why coal companies are allowed to harvest the mineral wealth without paying severance taxes on it. Had the coal companies been compelled to put a higher share of their profits back into the region, Eastern Kentucky might have some of the best schools in the nation; but as anyone familiar with the area knows, it didn't work out this way.

# CENTRAL APPALACHIA: THE BACK STORY

## Master Blasters

Everyday, bombs go off somewhere in Central Appalachia. It's the mining companies blowing the tops off mountains. For the coal companies, this is an efficient way to get to the coal. Like most jobs that used to require a strong back and powerful arms, advances in technology have eliminated much of the human labor in mine work.

Mountains can be blown up to reach the coal seams underneath with fewer than 10 workers. Deep mining, where miners tunnel into the mountains for thousands of feet, is still done; but it requires many more workers to retrieve the coal, since the enormous earthmoving equipment used in mountain top removal (MTR) is impractical in deep mining.

MTR has destroyed hundreds of mountains, wiped out millions of acres of forestland, and contaminated air, streams and drinking water as debris is dumped into streambeds. Mining has always been a hazardous occupation for miners; with MTR, whole communities are at risk. Mining companies have lobbied to weaken the legislation

that requires them to clean up their sites, and they have succeeded. All of Kentucky's lakes and rivers are under advisory for mercury contamination.<sup>4</sup>

Climate change legislation threatens the future of coal mining, because burning coal for electricity contributes to unsustainable amounts of carbon dioxide and other greenhouse gas emissions. To avoid the worst-case scenarios of climate change projections, coal must be phased out and replaced by cleaner, renewable forms of energy. People living in Central Appalachia are, of course, concerned about what comes next. Not necessarily about how they will heat their homes and turn on the lights, but about what their local economy will look like once coal mining is gone. Coal companies, stoking this anxiety, have portrayed groups opposed to MTR as environmental extremists. But it doesn't take an environmentalist to explain the case against coal. A study by the Institute of Health Policy Research at West Virginia University found that coal mining costs the Appalachian region five times more in early deaths than it provides in economic benefits.<sup>5</sup>



Ken Kessinger

# CENTRAL APPALACHIA: THE BACK STORY

In Coal River Valley, West Virginia, the community is engaged in an epic struggle with Massey Energy, one of the largest coal companies in the country, which has a permit to blast 6,450 acres off the top of a mountain. A plan proposed by the community to build a wind farm on the mountain instead would generate 50 times more annual tax revenue and create more and better-paying jobs. Moreover, the wind farm could last indefinitely, whereas geological data show the mountain has less than 20 years of recoverable coal left.

The county's planning and zoning ordinance says that it will "protect the health, safety, and general welfare of the present and future population of Raleigh County; insure growth and development is economical and sound; encourage the conservation of natural resources and historical preservation." Despite this, the community has struggled to get local elected officials to consider the wind-farm proposal.

## In the Hollows and Under Bridges

In Floyd County, Kentucky, 60 residents of the same hollow stopped a mountain top removal project that had been planned adjacent to their homes. When Beverly May, who has a house in this hollow, first learned of the planned MTR, she said, "I took to my bed and cried for three days." However, not one to easily give up, she rose to her feet and organized her neighbors for a fight.

The legal battle lasted for more than two years before it was settled in 2009—in favor of the community. May and her neighbors fought the MTR project using a provision in the federal mining laws meant to protect public resources. The road in and out of their hollow was deemed a public resource since their hollow backs up to the foot of the mountain. Thus, the mining company wouldn't be able to haul coal out of the hollow unless it built a separate road, which was an expensive proposition for them.

The petition process was by no means easy for the community. They faced regular intimidation from the mining company. But community members stuck together

and held firm. Quite simply, they wanted to remain a community more than they wanted the compensation package offered by the company. "What we have in Eastern Kentucky that people outside the area under-appreciate is community," says May.

"There are friendships and kinships here that go back for 200 years. I have neighbors in this hollow who knew my great-grandmother."

These are not the kinds of stories about Eastern Kentucky that are often heard outside the region. The Shepherd's Food Pantry in Lynch is another example of what makes Eastern Kentucky's communities stronger than they appear

from their census data or on that *20/20* episode. The Shepherd's Food Pantry operates out of a former union hall; the only remaining union tie is that many people who use the pantry are retired union miners.

Pauline White, who runs the pantry, related a story about a young couple, a boy and girl in their late teens, who had been living under the bridge at the edge of town. The girl had to drop out of school and leave home to escape an abusive stepfather. The boy came with her because she was pregnant with his child. Wise made a call to a friend and helped the boy get a job at the Arby's Restaurant in town. A couple of years have passed, and now he's the assistant manager, she went back to school to get her diploma, and they are married and the parents of a beautiful, healthy baby girl. Their story may not sound important or particularly special, but in communities like this where people rely on one another literally to survive, these are the voices that deserve to be heard.



Pauline White of the Shepherd's Food Pantry.



**Poor countries can't develop and simultaneously make the transition to clean energy without help from rich countries.**





## Chapter 4

# A Global Agenda for a Just and Sustainable Recovery

ONLY 1 PERCENT OF HOUSEHOLDS IN RURAL ETHIOPIA HAVE ACCESS TO electricity. Rema, a village 150 miles north of the capital city of Addis Ababa, is an exception:<sup>1</sup> every household—that's more than 5,500 residents—has electricity. The Solar Energy Foundation, with support from other donors, has installed solar panels on more than 2,000 rooftops.

The project started in 2006 with a \$2.7 million grant from the Good Energies Foundation.<sup>2</sup> Rema was selected on the basis of its ability to demonstrate the potential of solar power to transform its community of poor families. Since the solar panels were installed, children have been able to do their homework by lamplight and it is possible to store medicines that require refrigeration. A solar-technician training program has been established, and it is able to operate in the evenings thanks to the solar energy generated during the day.

“Normally, an NGO [nongovernmental organization] installs a diesel generator, while the people are responsible for finding fuel,” said Harald Schutzeichel, director and CEO of the Solar Energy Foundation. “However, the villagers of Rema said they didn’t want a technology they can’t pay for, especially since diesel is becoming more and more expensive.”<sup>3</sup>

Energy is a vital tool for development. The International Energy Agency estimates that around the world, 1.6 billion people lack access to electricity.<sup>4</sup> Slightly more than 1 billion people are chronically hungry.<sup>5</sup> It is no accident that these numbers are not far apart. Many of the world’s poor fall into both categories. Underdeveloped areas suffer multiple deprivations, and one of the most significant is lack of energy sources.



Margaret W. Nea

In a world where technologies make it possible for someone to communicate with another person far away in a split second, the lack of access to a basic commodity like electricity underscores how marginalized some groups of people remain. Energy opens up new economic opportunities for technological advancement and market access. Communities can then build schools and health clinics, diversify their food supply, and attract outside investment. Provided that demand is met by a sustainable supply of energy, everyone stands to gain as energy use increases in poor countries.

Most economists are predicting that oil prices will rise once energy demand returns to its pre-recession levels. The heaviest burden of these rising prices will fall on poor countries that depend on imports to meet their energy needs. The steep rise in food prices in 2008 that led to food riots in 38 countries was at least partially attributable to the spike in fuel prices. Energy, poverty, and hunger are joined together in a tight knot. Unless the world develops new and renewable sources of energy, the entanglement could begin to seem more like a noose.

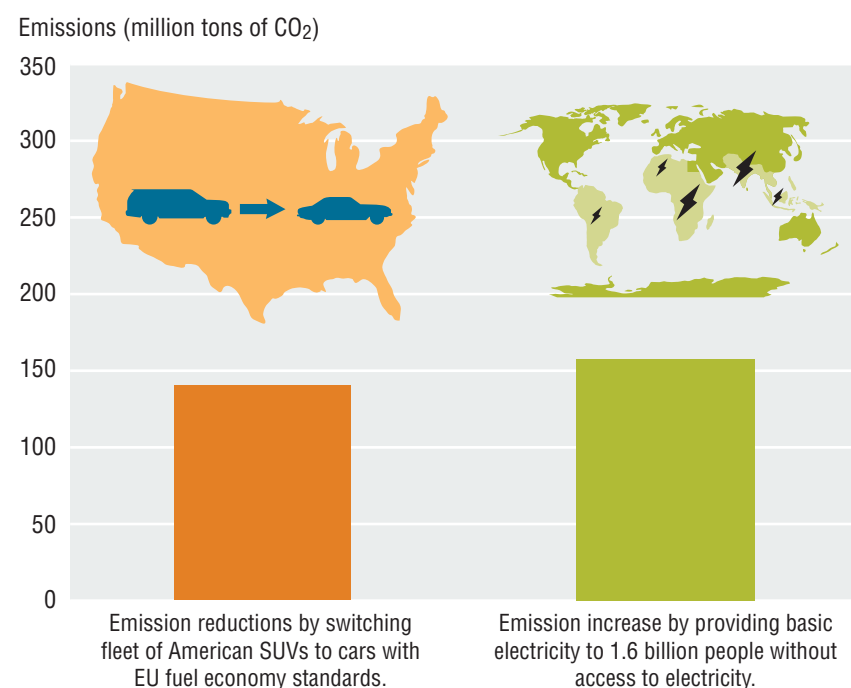
Climate change is pressuring rich countries to produce cleaner forms of energy. Countries that can afford it are already replacing fossil fuels with solar, wind, and other clean forms of energy. The promise of clean energy is that it could allow all countries to avert the catastrophic effects of climate change that are associated with reliance on fossil fuels. Another

promise, less publicized, is that clean energy provides marginalized communities like Rema with a way to spur their own development: they can leapfrog over technological barriers that may have appeared intractable only a short while ago, opening up the possibility of renewed progress toward the Millennium Development Goals (MDGs). It will be a major challenge to expand the remarkable progress in Rema as the world is struggling to recover from the worst recession in more than half a century. But it needs to be done in order to reduce poverty and greenhouse gas accumulation and to contain the effects of climate change.

## Recovery and the Global Economy

The first three chapters of this report describe the U.S. opportunity in this moment of economic turmoil to lay the groundwork for a just and sustainable recovery. But economic recovery in the United States will be neither just nor sustainable if prosperity and economic stability continue to elude the

**Figure 4.1 Switching from SUVs to fuel-efficient passenger cars in the U.S. alone would nearly offset emissions generated by providing energy to 1.6 billion more people.**



Source: World Bank *World Development Report 2010*.



majority of the world's people. The recession has been yet another reminder that we live in an interconnected world and that this is not going to change.

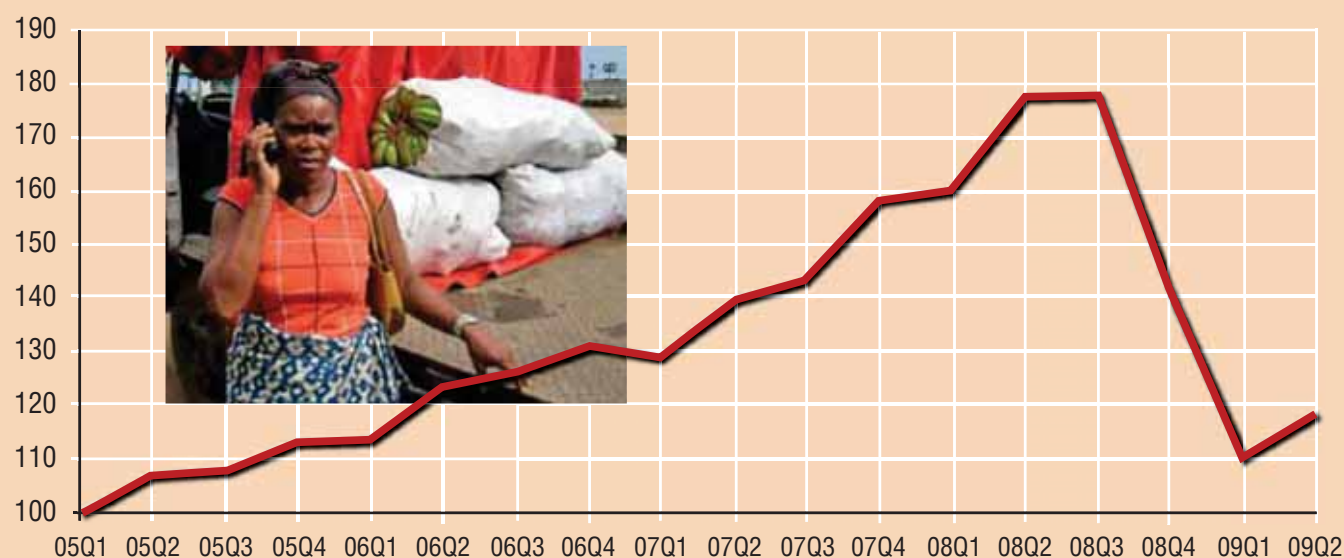
Before the global recession, between 1.3 billion and 1.4 billion people were surviving on less than the World Bank's poverty level of \$1.25 a day. According to a 2009 report on the MDGs, the number of people living in extreme poverty in 2009 is expected to be between 55 and 90 million more than was anticipated before the global financial crisis.<sup>6</sup> A recent World Bank study<sup>7</sup> indicates that the financial crisis has caused a sharp drop in trade, tourism, workers' remittances to their home countries, and capital flows, forcing poor countries to cut back on spending in the critical areas of education, health care, and infrastructure. Unlike the United States, poor countries cannot use deficit spending to stimulate demand and get their economies moving without spiking their inflation rates. Investment in the form of increased foreign aid, along with stepped-up demand for poor countries' exports, will be needed to get them back on a growth path.

The global recession began with the pricking of a highly leveraged economic "bubble" in the developed world; it then spread to poor countries. Global recovery will likewise be a shared undertaking. Recovery in developed countries will translate into increased demand for labor, raw materials, and manufactured goods from developing countries. In turn, higher export earnings and renewed worker remittances will enable developing countries to buy more goods from the United States and other advanced economies. More—and more effective—development assistance in the short term is essential to mitigate suffering and its associated political disruptions and to lay the groundwork for recovery. In the medium and long term, development assistance can help put countries on sustainable growth trajectories through technology transfers and "green" investments.

Recovery in the United States will depend to a significant degree on economic development in the rest of the world. The fastest-growing economies—

**Development assistance can help put countries on sustainable growth trajectories through technology transfers and "green" investments.**

**Figure 4.2 World trade in quarterly developments, 2005-2009**  
(2005Q1=\$100, in current U.S. dollars)



Source: World Trade Organization.

China, India, and Brazil—are important trading partners for the United States in both exports and imports. The recession in the United States, the world's largest economy, has significantly affected trade; global exports fell

by 22 percent in the first quarter of 2009 and 26 percent in the second quarter<sup>8</sup> after decades of steady expansion. Read more about trade relations and their potential conflicts with negotiations on international climate change on pages 145-147.

The U.S. relationship with China is particularly important because the Chinese and U.S. economies are inextricably interlinked. China has lent the United States the money to buy its goods, thus enabling the United States to live beyond its means and China to keep its economy growing and creating jobs. The downturn in the U.S. economy means that it is buying less from China, which slows China's rate of growth, forcing factories to close and putting people out of work.<sup>9</sup>

At this point, it is impossible to picture a global recovery in which the U.S.-China

relationship does not feature prominently. With the collapse of the housing bubble in the United States, erasing \$8 trillion of household wealth, it is highly unlikely that U.S. consumers will resume their pre-recession level of consumption of Chinese goods and services. Whatever comes next for both the United States and China may foretell changes with their other trading partners. This could mean, for example, an expanded role for other developing economies, which could in turn lead to a revival of the Doha round of the World Trade Organization (WTO) negotiations.

## Climate Change and Global Development

The challenge of climate change will either move the world forward toward a more sustainable future, or drive a wedge between rich and poor and usher in generations of troubled global relations. The emissions legacy of the past, and the unavoidable emissions of the coming years, make it inevitable that climate change will worsen. To avoid the worst outcomes, adaptation—or adjustments that moderate harms<sup>10</sup>—is critically important.

An inconvenient truth not mentioned in Al Gore's award-winning movie, but affirmed by numerous studies, is that the poor—both poor countries and poor people in those countries—will suffer disproportionately from global climate change, particularly compared to their small contributions to the problem. The world's 80 or so poorest countries are, as one study notes, essentially bystanders, or perhaps more accurately “drive-by victims,”<sup>11</sup> in this unfolding global crisis.

Climate change will almost certainly make it more difficult to achieve the MDGs, which are now the fundamental framework for global development. The effects of climate change will be felt most in the lower latitudes, where



In the Pirang district of South Sulawesi, Indonesia, a woman scoops cocoa beans that will be weighed and graded for quality at a cocoa trading station.

the poorest countries are concentrated and where many people lack resources to see them through emergencies and hard times. Sub-Saharan Africa and South Asia, by virtue of their size, population, and degree of poverty, will likely prove to be “ground zero” in a warming world, forced to deal with rises in sea level, desertification, and the resulting displacements of populations.

Rises in seawater caused by climate change are forcing low-lying island nations like the Maldives to prepare for the evacuation of their entire population. It is projected that by mid-century, 7 million people in 22 Pacific Island nations will be forced to flee as their nations vanish underwater. They are just a fraction of the total number of people who face being displaced. In Bangladesh and in India’s West Bengal state, more than 60 million inhabitants of the Ganges-Brahmaputra Delta are at risk. According to some projections, anywhere from 200 million to 1 billion people could become “climate refugees” by 2050.<sup>12</sup>

The Department of Defense and U.S. intelligence professionals have concluded that climate change is sure to worsen instability around the globe, and that the United States may have no option but to be drawn into the ensuing conflicts as struggles over scarce resources like food and water in places devastated by climate change become more

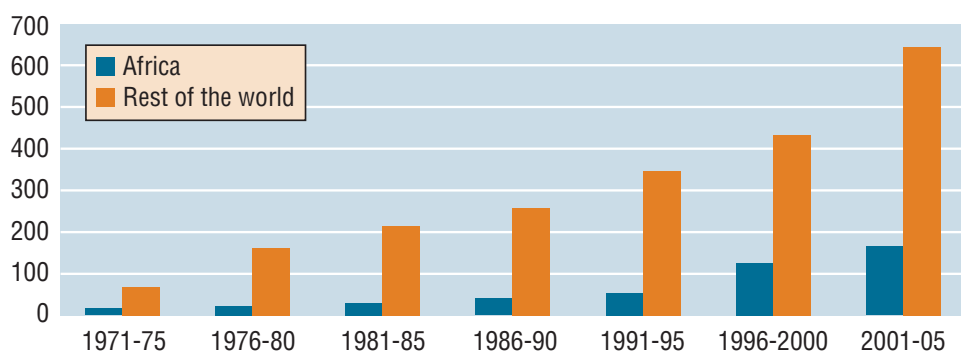
desperate.<sup>13</sup> We can try to head these crises off now, by investing in climate adaptations to boost the resiliency of especially vulnerable communities, or we can deal with them later, when military intervention may be the only response that looks viable. But it won’t be possible to ignore them forever.

Greening rich economies, while highly desirable in itself, is just the tip of the iceberg in dealing with a complex global crisis. It will not address the climate change that is already underway. Unless and until renewable energy sources become viable alternatives to fossil fuels for everyone, it is hard to imagine how poor countries can develop without vastly increasing greenhouse gas emissions. It is estimated that between now and 2030, 87 percent of the increase in demand for energy will come from developing countries.<sup>14</sup> They need energy to fuel their economies, and we cannot realistically expect poor countries to put off economic development until renewable energy becomes affordable to everyone. Poor people need to use all their available resources to make ends meet in the near term, including cutting down forests or depleting soils, both major contributors to greenhouse gas emissions. They grasp the longer-term implications, but they simply have no choice.

The long-term solution must include a global agreement on climate change that encourages and supports clean energy development in poor countries, especially large and rapidly growing economies like China, India, and Brazil. Without special compensation, the already resource-strapped governments of developing countries will view economic growth and green-

**Figure 4.3 Floods are increasing, even in drought-prone Africa**

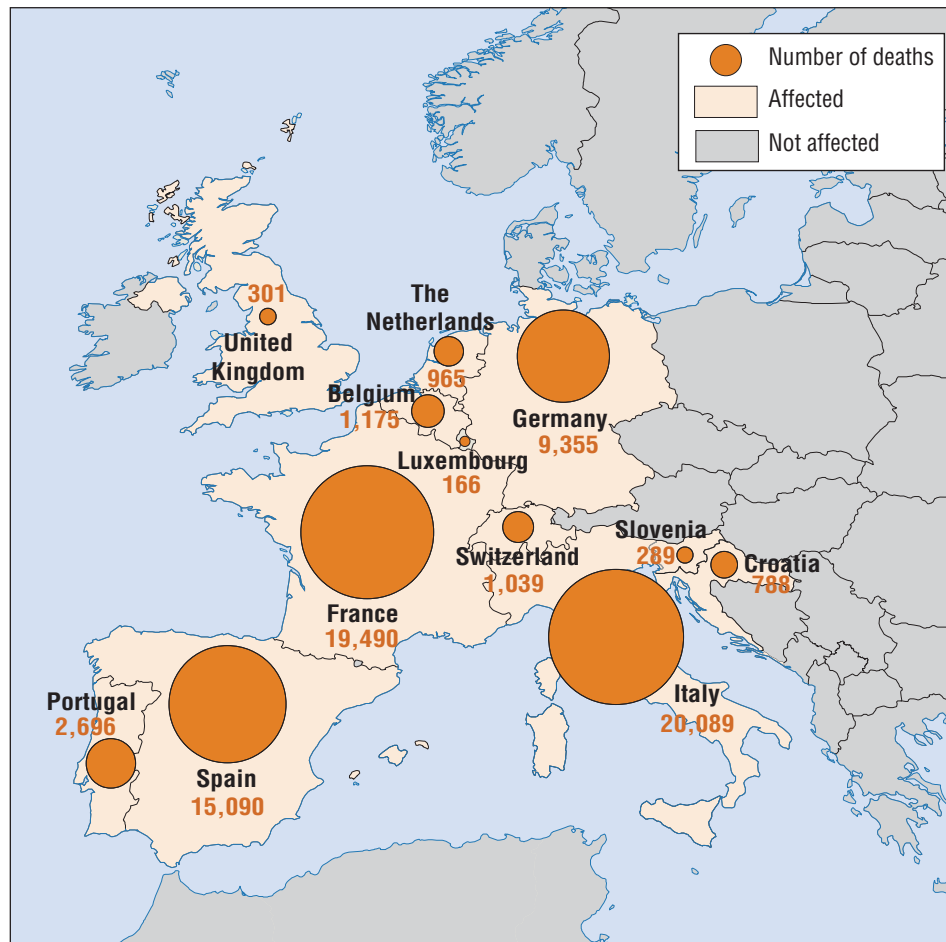
Events per five-year period



Source: World Bank *World Development Report 2010*.



**Figure 4.4 Rich countries are also affected by climate change:  
The 2003 heat wave killed more than 70,000 people in Europe.**



Source: World Bank *World Development Report 2010*.

house gas reductions as a “zero-sum game.” When they are forced to make a choice, growth will be their priority. But in reality, it’s not a zero-sum situation. In the United States, “green jobs” can provide productive employment and promote energy efficiency and economic growth. Similarly, not only can economic growth and reducing greenhouse gas emissions be undertaken simultaneously in developing countries, but they can reinforce each other.

Climate change has made it clear that all countries must work in partnership—there are no national borders marked in the planet’s atmosphere. Emissions from coal plants in the United States and China contribute to the loss of farm land and rise in sea levels in Bangladesh. Cutting down forests in South America and Africa adds to the severity of hurricanes in the Caribbean and the Gulf of Mexico. Unless

a partnership is forged that spells out what each country must do to stem climate change, one step forward will be accompanied by many steps backwards.

## A Global Agreement on Climate Change

Negotiations taking place in Copenhagen, Denmark in December 2009 will bring together countries from around the world. The Copenhagen conference will focus on formulating a successor to the current treaty on climate change, the Kyoto Protocol. Negotiated in 1997, the Kyoto Protocol went into full force in 2005. It set binding limits on CO<sub>2</sub> emissions for some countries; 35 industrialized nations agreed to cut their emissions by 5 percent below 1990 levels by 2012. The Kyoto commitment period ends in 2012. What will a post-Kyoto global agreement on climate change look like? This is what the Copenhagen negotiations are supposed to answer, or begin to answer, since the process of finalizing an agreement will culminate in 2012.

Formal discussions of a successor to the Kyoto Protocol began in Bali in December 2007. Countries have been in “full negotiating mode” since December 2008.<sup>15</sup> The negotiations hold both promise and apprehension.

One promising sign: the United States is back as an engaged participant. In 2001, the Bush administration withdrew from negotiations on the Kyoto Protocol, and the United States never ratified the treaty. That lack of engagement has arguably been the single greatest constraint on the international climate change effort.<sup>16</sup> The Obama administration has indicated that it wants to play a leading role in the next round of negotiations; officials have been working since the beginning of the administration to establish U.S. leadership credentials. In his inaugural address, the president announced to the world, “With old friends and former foes, we will work tirelessly to ... roll back the specter of a warming planet.”

Since then, the president and Congress have taken important steps to convince the rest of the world that the United States is serious about climate change. The American Recovery and Reinvestment Act included \$90 billion for development and deployment of clean energy technology. In June 2009, the House of Representatives passed the America Clean Energy and Security Act of 2009 (also known as the Waxman-Markey bill), and later in the year the Senate began deliberations on its own bill. The House bill provides \$190 billion in investments in new clean energy technologies and in energy efficiency, clean coal technology, electric and other advanced technology vehicles, and basic scientific research and development.<sup>17</sup>

The bill also authorizes resources to support an international climate change adaptation program. It establishes a framework for an international technology transfer fund; developing countries who are party to an international climate agreement to which the United States is also a party would be eligible. Another key provision of the American Clean Energy and Security Act is funding to conserve tropical forests—deforestation of tropical forests is responsible for approximately one-fifth of global greenhouse gas emissions.<sup>18</sup> Overall, the Waxman-Markey legislation is indispensable in making the case that the United States is a serious negotiating partner on climate change.

Onlookers are apprehensive as the Copenhagen negotiations approach because disagreements between developed and developing countries have been sounding like a game of diplomatic “chicken.” The prospects for an agreement appear dim unless countries can settle on key components of the framework. It’s a high-stakes game to be sure. Scientists say the point of no return for averting catastrophic climate change is drawing near, perhaps as soon as 2020.<sup>19</sup>

The essential elements of a post-2012 comprehensive climate change agreement include limits on greenhouse gases by the major emitting countries; transfer of clean energy technologies from countries that have already developed these to countries that have not; and support for climate change adaptation in poor, vulnerable countries. To these three we would add a fourth element: the need to explicitly bring agriculture, which is currently a major contributor to greenhouse emissions and potentially a major carbon “sink,” into the climate change deliberations.



The Colombian Forestry Program was created to conserve and manage forests. The 1,606 families in the Bajo Mira/Frontera communities collectively developed internal regulations to protect the habitat and ensure biodiversity.

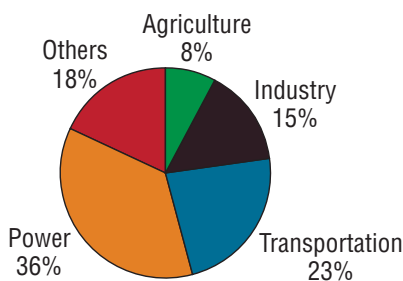
## Limits on Greenhouse Gas Emissions

One of the main sticking points in the negotiations is agreeing on binding limits on greenhouse gas emissions. Developing countries have consistently maintained that they should not be held to binding limits and will only agree to them if rich countries pledge significant compensation in return. Rich countries, including the United States, have pledged that by 2050 they will reduce their own emissions to 80 percent of 1990 levels,<sup>20</sup> but they balk at the idea of compensation.

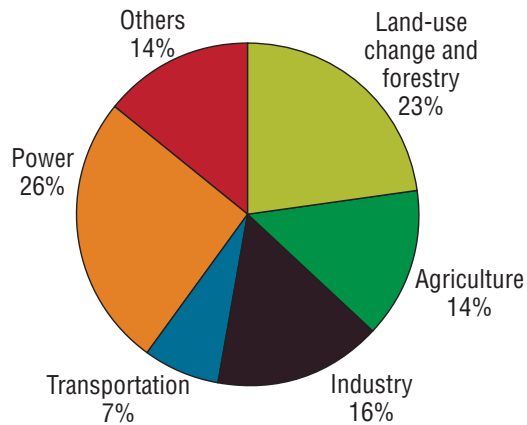
Reducing the emissions of developed countries by 80 percent by mid-century would be a significant achievement, but by itself will not be enough to stabilize the climate. This will also require the rapidly developing countries—principally China, India, and Brazil—to adopt growth plans with much lower carbon emissions. “The struggle to contain greenhouse gas emissions will be won or lost in the developing world,” says David Wheeler, head of the *Confronting Climate Change Initiative* at the Center for Global Development, and other experts agree.<sup>21</sup>

Figure 4.5 Greenhouse gas emissions by sector: high-, middle-, and low-income countries

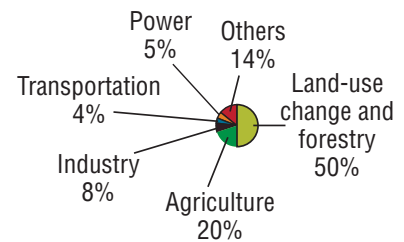
### High-income countries



### Middle-income countries



### Low-income countries



Source: World Bank *World Development Report 2010*.

Developing countries have a point when they say they shouldn't have to solve a problem created by others. The problem with this is that now that global climate change is a reality, everyone will be harmed unless everyone contributes to a solution. The United Nations Framework Convention on Climate Change addresses the matter by saying that any agreement must take into consideration “common and differentiated” responsibilities and capabilities, meaning that different countries’ emissions limits will vary and will phase in at different rates.

Scientists agree that significant human contributions to climate change began with the advent of the Industrial Revolution in the 19<sup>th</sup> century. Emissions from the countries that benefited most from industrialization—the United States and Western European nations—have dwarfed those of developing countries, including rapidly developing countries. India and China, the two largest developing economies, together have contributed less than 10 percent of the world's total carbon dioxide emissions since 1900.<sup>22</sup>



Many poor people in developing countries already understand what it means to be on the losing side of climate change. Fanwargu, a tiny village in eastern Burkina Faso where families live by subsistence farming, feels like a long way from the important global negotiations in Copenhagen. But its residents experience the effects of climate change every day when they work in their fields. The Sahara Desert's expansion is stealing a precious amount of the country's arable land. Pastoralists have left the northern areas of the country in search of water and grazing land for their animals, moving into areas that were once the sole domain of farmers. The competition for resources and the collision of cultures has led to strife between pastoralists and villagers. Fanwargu is not a separate reality from the diplomatic dramas unfolding elsewhere. On the contrary, villages like this make all too visible the reality of how climate change is already affecting people.

There are a variety of approaches that countries use to limit emissions. The most widely favored by the United States and other developed countries is a "cap-and-trade" system. The cap sets the total amount of emissions allowed; within this limit, producers are able to purchase permits to trade the right to produce emissions with one another. Gradually, the cap is lowered, forcing producers to become more efficient. Theoretically, this will accelerate the development of clean energy technologies to replace dirty technologies such as coal-fired power plants. Cap and trade was proven to be highly effective when it was used in the early 1990s to reduce sulfur dioxide and nitrogen oxide emissions, gases responsible for acid rain in the northeast United States. Since the adoption of cap and trade to control these emissions, acid rain has been reduced, and at a much lower cost than originally projected.

Another approach to reduce emissions is by taxing them, which has the advantage of being simpler to apply than cap and trade. Whether countries use cap and trade or taxes, or some combination of the two, the net result will be to attach a price to carbon emissions, and thus increase the cost of energy. Consumers will bear most of the costs. This will be especially difficult for poor people, who spend a greater share of their income on energy than moderate- or high-income people. Therefore, some of the revenues generated from either a cap-and-trade system or a tax should be used to compensate poor families and help them adapt, something that the Waxman-Markey bill would provide for U.S. energy consumers.

Another approach to limiting emissions is through "offsets," meaning that firms invest in carbon mitigating measures, usually in developing countries, commensurate with the amount of carbon they emit. Offsets are already being put in place in some circumstances, primarily in the form of "afforestation," a process of planting new forests on land which has not previously been covered by forest. Offsets can be contentious, and they face problems of verification and monitoring. Regulation is still another approach, such as limiting vehicle exhaust emissions or emissions from power plants.



Sawadogo Souleymane, a farmer in Burkina Faso, has experienced firsthand the effects of climate change. The following sections include reporting from the village of Fanwargu in Burkina Faso, where Bread for the World Institute visited in 2009.

## Technology Transfer

Cell phones have revolutionized communications in developing countries. In less than a decade, people living in some of the most underdeveloped areas of the world have gone from having no way to communicate outside their villages to being able to talk to almost anyone they wish to speak with. In Fanwargu, Burkina Faso, Natama Alimata calls to find out how many other women in her co-op are planning to use the mill that day and what times are open *before* she sets out on the 15-mile walk to mill the sorghum her family grows on their small farm. Another benefit of technology: the mill that she and the other women in the co-op purchased with a microloan from the International Fund for Agricultural Development reduced the time it takes to mill grain by hand from 8-9 hours to 15 minutes. The time she saves allows Alimata to complete other tasks, relieving her daughters of chores so they can spend more time on schoolwork. In addition, renting out the use of

the mill provides extra income to all the women in the co-op. Alimata spends her share on her children's school supplies, clothes, and additional food.

Technology is crucial to development, and simple technologies, like the co-op's mill, can lead to significant improvements in a community's quality of life. New breakthroughs in clean energy technology augur another technological revolution in the developing world, one that will allow countries to leapfrog over a costly stage of development. In rural Burkina Faso, virtually no one has access to electricity. Expanding the heavy infrastructure required to produce and transmit electricity to remote rural areas would be cost-prohibitive, but compact technologies like solar panels make electricity much more feasible.

Another important part of climate change negotiations is determining how clean energy technologies will be shared and commercial developers compensated. Innovations, the speed at which they occur, and the scale on which they can be made available, will depend more on private industry than governments. Public policies can clear the way for private investors to launch new ventures, but the public sector cannot take the place of private initiatives and private capital responding to the discipline and demands of the market. The poorest countries are in no position to pay the market rate for new technology. But unless commercial producers believe there is an adequate return on investment, innovation will slow, and it is possible that some of the most groundbreaking possibilities for clean energy technology may never materialize.

The role of the public sector, though limited, is still crucial. The right legal and policy environment can promote technology transfer, for example,

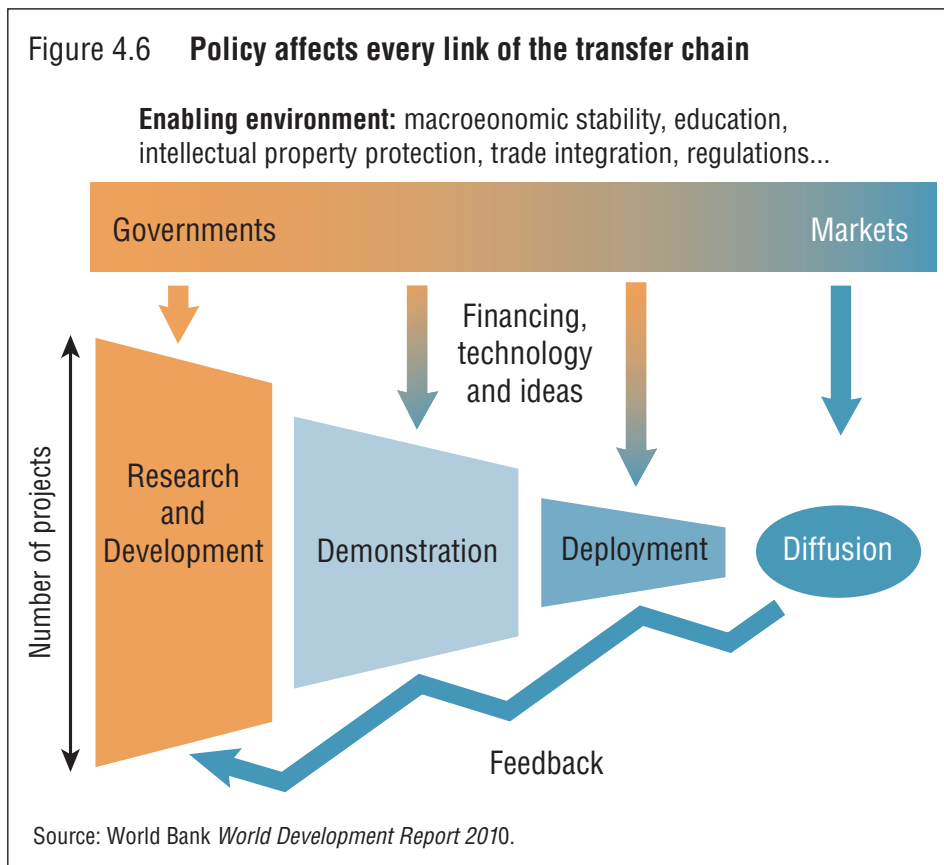


By the beginning of 2009, developing countries accounted for three-quarters of all the mobile phones in use around the world.

with laws defining intellectual property rights (IPRs) and incentives like tax credits, grants, and loans that offset producers' costs of research and development. In the case of IPRs, it is clearly up to government to strike the right balance of protecting the rights of patent holders while promoting a freer flow of technology across borders. The WTO agreement known as TRIPS [Trade-Related Aspects of Intellectual Property Rights] has made possible the transfer of many life-saving drugs held under patent at below-market prices. There will be much greater ambiguity on the definition of a clean energy technology than on a drug designed to treat a specific condition. It is easy to imagine a proliferation of products, from those designed exclusively for the purpose of delivering clean energy to those for which the energy benefits are secondary or incidental. Does an improved caulk gun used to insulate buildings—a key way to mitigate the effects of CO<sub>2</sub>—belong under the same umbrella of clean energy technology as a solar panel? How technologies are included in trade agreements will have to be defined.

Outside the multilateral framework of the WTO, technology transfer takes place through bilateral and regional trade and commerce agreements. We should not assume that all technology transfers go from the developed world to the developing world. South-South transfer, as it's sometimes called, occurs regularly. Some developing countries have emerged as world leaders in clean energy products and industries. Brazil is a leader in the production of ethanol, China and India are world leaders in wind power technology, and China is also a leading producer of solar photovoltaic cells.

The story of emerging leadership in the developing world is broader than China, India, and Brazil. Indonesia has become a leader in the production of compact fluorescent lamps, Mexico in solar hot water heaters, and Kenya in ceramic cook stoves. This last example highlights an important point about technology that is often overlooked. There are many simple and affordable technologies, like caulk guns or ceramic stoves, which can substantially reduce greenhouse gas emissions. While we want to make sure that advanced technologies like solar and wind power are shared, we also don't want to miss relatively easy solutions that will have a big impact.





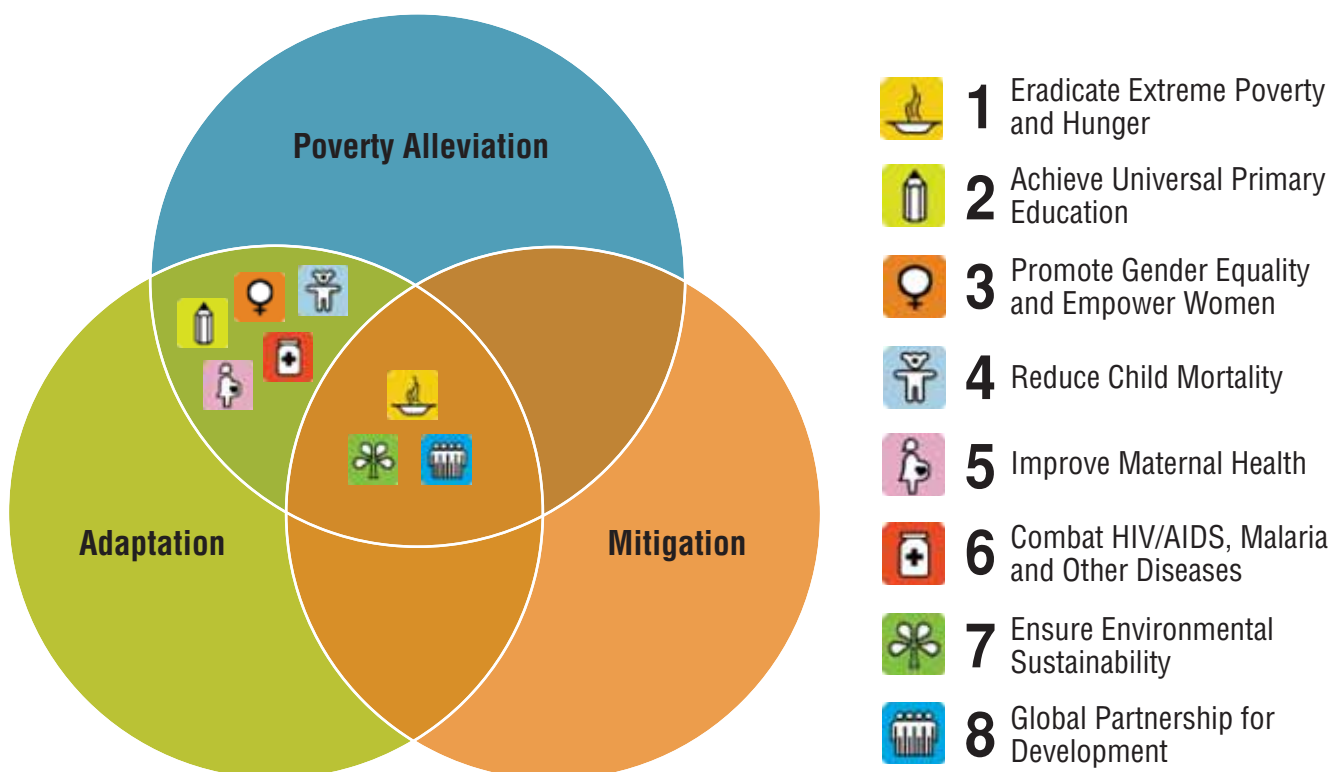
## Funding for Adaptation to Climate Change

Thus far, climate change negotiations have focused almost exclusively on limiting and reducing (“mitigating”) greenhouse gas emissions. It was only in 2007, in its Fourth Assessment Report, that the Intergovernmental Panel on Climate Change (IPCC) began to directly address the issue of adaptation, noting that more attention to adaptation is required, and that adaptive capacity is connected to social and economic development.<sup>23</sup> Some of the best adaptation is, in fact, economic growth that provides poor households and poor countries with resources to adjust and cope with change. Adaptation also entails building strong institutions within these countries that can respond to the changing climate, such as agricultural research and extension services, public education, and health care systems.

Some development advocates are concerned that a focus on climate change would divert resources and attention to adaptation at the cost of international efforts to combat poverty and achieve the MDGs. But this fear is misplaced. Development and adaptation can (and, we would argue, must) be addressed together. “Adaptation,” as more than one author has noted, “is basically development in a hostile climate.”<sup>24</sup>

The villagers in Fanwargu, Burkina Faso, are living in an increasingly hostile climate to development. Climate change has made it harder for farmers like Natama Alimata to know when best to plant her crops. Centuries of local knowledge passed on by families and neighbors is no longer a dependable guide. Farmers like Alimata use cell phones to gain information about markets in their area, but no one is able to provide reliable weather forecasts.

Figure 4.7 Climate change, global poverty and the Millennium Development Goals



Source: Brookings Institution.

A national weather forecasting station would be an example of the infrastructural improvement needed for development and adaptation. Recently, Alimata started composting plant matter to use as fertilizer. She learned about composting from agricultural extension workers. The compost has helped to boost her yield—another example of a development effort doing double duty by helping people adapt to climate change.

There is a strong moral argument for seeing funding for adaptation as compensation by rich countries for the damage caused to poor countries like Burkina Faso. But there is also a danger that framing the debate as an adversarial “perpetrator versus victim” issue will provoke public resistance in rich countries and make it even harder to achieve a final agreement. A better approach would be to stress the benefits to all of growth and emissions reduction.

Funding for adaptation should be considered separate from official development assistance (ODA). More importantly, adaptation funding should not be part of the annual congressional appropriations process, both to shelter it from political pressures and to reflect a different rationale than development assistance. Cost estimates for adaptation vary widely. One recent study estimates that by 2015, \$86 billion annually may be needed to deal with adaptation needs in poor countries.<sup>25</sup> This is roughly two-thirds of *total* global ODA for 2008, although still only one-fifth of 1 percent of global Gross Domestic Product (GDP). Costs will continue to increase with every delay in aggressive emissions reductions.

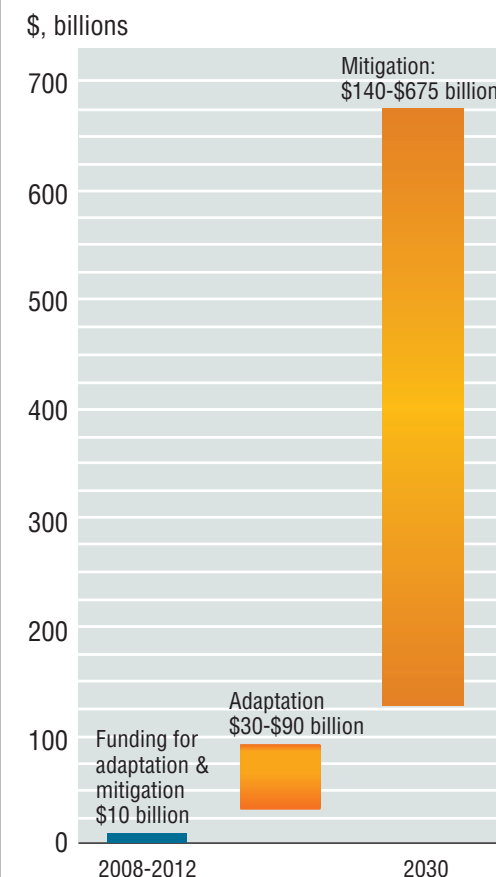
Determining how to allocate new resources for climate adaptation requires consideration of many factors. A Brookings Institution study makes four important points: (1) it is critical that national governments be the centerpiece for coordination; each national government must own its development plans and be the place where resources come together; (2) private sector participation is essential (e.g. technology transfer) because public resources alone will not be enough; (3) national governments need to demonstrate their commitment through their own budgeting priorities; and (4) there must be formal processes to bring climate considerations into the mainstream of development strategies, “embedding climate sensitivity into development’s DNA.”<sup>26</sup>

New ways of organizing and distributing funding are also essential. China has proposed that developed countries allocate 0.5 percent of their GDP to support actions taken by developing countries to address climate change. This would amount to \$185 billion a year for mitigation, technology transfer, and adaptation combined. In the United States and the EU member states, policymakers are considering legislative proposals to create new adaptation funds that would be financed by revenue from climate change mitigation programs within each developed country. Cap-and-trade systems, such as that proposed in the Waxman-Markey bill, could generate a substantial income stream that would be independent of annual appropriations pressures. In Europe alone,



Jim McDonald

**Figure 4.8 Estimated annual climate funding required for a 2°C\* trajectory compared with current resources**



\* 2°C is not desirable, but there is a growing consensus in policy and scientific circles that this is likely the best we can do. From the perspective of development, warming much above 2°C is simply unacceptable. Stabilizing at 2°C will require major shifts in lifestyle, a veritable energy revolution, and a transformation in how we manage land and forests.

Source: World Bank *World Development Report 2010*.

## BOX 4.1 A UNIFIED APPROACH TO ADAPTATION AND DEVELOPMENT ASSISTANCE

*by Charles Uphaus*

As U.S. policymakers grapple with how to address the effects of climate change in poor countries, they may find it tempting to redirect development assistance to cover the costs of helping these countries adapt to climate change. But development assistance and adaptation must not be cast as competitors for the same pool of resources. Adapting to climate change is an additional burden imposed on the developing world, so the means for dealing with that burden should also be additional.



In practice, “stand-alone” adaptation does not really exist. The futility of trying to differentiate adaptation from development is illustrated by the case of Tuvalu in the South Pacific, where shoreline erosion is a problem regardless of climate change and thus a development need.<sup>1</sup> The incremental work to address the effects of climate change cannot be undertaken unless basic development is undertaken as well. Other examples of how development and adaptation are intertwined include salt-water intrusion in Bangladesh (already a problem due to upstream water diversions), coping with drought in the Sahel, and, in Haiti, the increased risk of catastrophic hurricane damage due to deforestation.

It is reasonable to think in terms of a continuum of responses to climate change, ranging from specific

measures to address the broad “drivers of vulnerability” (e.g. literacy, a means of livelihood, women’s rights) to actions that focus almost exclusively on addressing impacts associated with climate change (e.g. relocating communities in response to sea-level rise). The point is that in almost every case, development must occur either before adaptation or in conjunction with it. Rarely do adaptation efforts entail activities not already found in the development ‘toolbox.’<sup>2</sup>

So, in one sense, defining adaptation as separate from and additional to development is impractical or even pointless. However, defining them as separate helps ensure that developed countries understand and accept their obligations to meet the costs of the additional stress that climate change puts on already vulnerable developing countries. Funding for adaptation should be additional to Official Development Assistance (ODA), such as using a portion of revenues generated from a cap-and-trade system for controlling greenhouse gas emissions.

Various financing mechanisms specifically to help developing countries adapt to climate change have been proposed. These are all designed to distinguish carefully between “normal” development activities and the “additional” activities needed to adapt to climate change, and therein we find a built-in conceptual limitation. There are other drawbacks as well. For one thing, the amount of resources committed thus far is nowhere near the estimated requirements, which are between \$30 and \$90 billion annually (less than one-fifth of one percent of global Gross Domestic Product).

There are also major unresolved issues on governance (e.g. the respective roles of developed and developing countries) and on procedures for accessing the funds. Ayers and Huq identify two main ways in which non-adaptation resources can be used to meet adaptation needs.<sup>3</sup> One is through specific bilateral or multilateral Climate Investment Funds. Administration of these new funds tends to be heavily donor-driven, and most of the funding



is provided as loans and counted in ODA—thus violating the principle that resources should be additional.

The other approach is through “mainstreaming” adaptation into development. This could take the form of “climate-proofing” development investments. Going beyond individual climate-proofing projects, “mainstreaming” could involve building up institutions needed to respond to climate change (for example, relevant scientific disciplines, economic analysis, broad public education, and local initiatives). Climate change expertise needs to be integrated into policy, planning, and public and private investment decisions, at both the local and national levels.

Just as adaptation and development share many of the same methodologies, they also share accountability and management issues. There is just as much potential for waste and mismanagement with adaptation funds as with regular ODA. Absent assurances of transparency, developed countries are unlikely to offer anywhere near the amount of resources needed. Discussion thus far has focused primarily on governance mechanisms (e.g. who sits on the governing boards for the funds, what the procedures for accessing the funds will be), not on providing assurances regarding accountability and effectiveness.

The impacts of climate change present serious challenges to the effectiveness and sustainability of U.S. development assistance, and to the overall course of development. In terms of finance, climate change adaptation and development must be differentiated. Operationally, however, they need to be viewed and addressed together. All adaptation must be underpinned by development that addresses the underlying causes of vulnerability to climate change, and this needs to be a priority of all future development planning.

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by the year 2020, auction fees could generate some \$2.3 billion annually for climate change-related activities, including adaptation.<sup>27</sup> But this is still far short of the looming adaptation costs.

Whatever the source of funding, an international agreement must address governance issues of how such funds would be administered, as well as the related question of how such programs would be integrated or coordinated with ongoing ODA. There are a number of options for administering funds, ranging from existing institutions, such as the World Bank’s Global Environmental Fund or the Adaptation Fund established under the Kyoto Protocol, to entirely new institutions. It would cause problems if too many adaptation funds were established—risking contradictory programs and further depleting the already taxed management capacity of developing countries. Developed countries are unlikely to agree to any sort of new initiative to raise money unless they can be confident that it is accountable and transparent. The International Commission on Climate Change and Development recommends that any fund that will be handling significant additional resources be governed through a “representative and equitable arrangement” between developed and developing countries.<sup>28</sup>



Martin Lueders

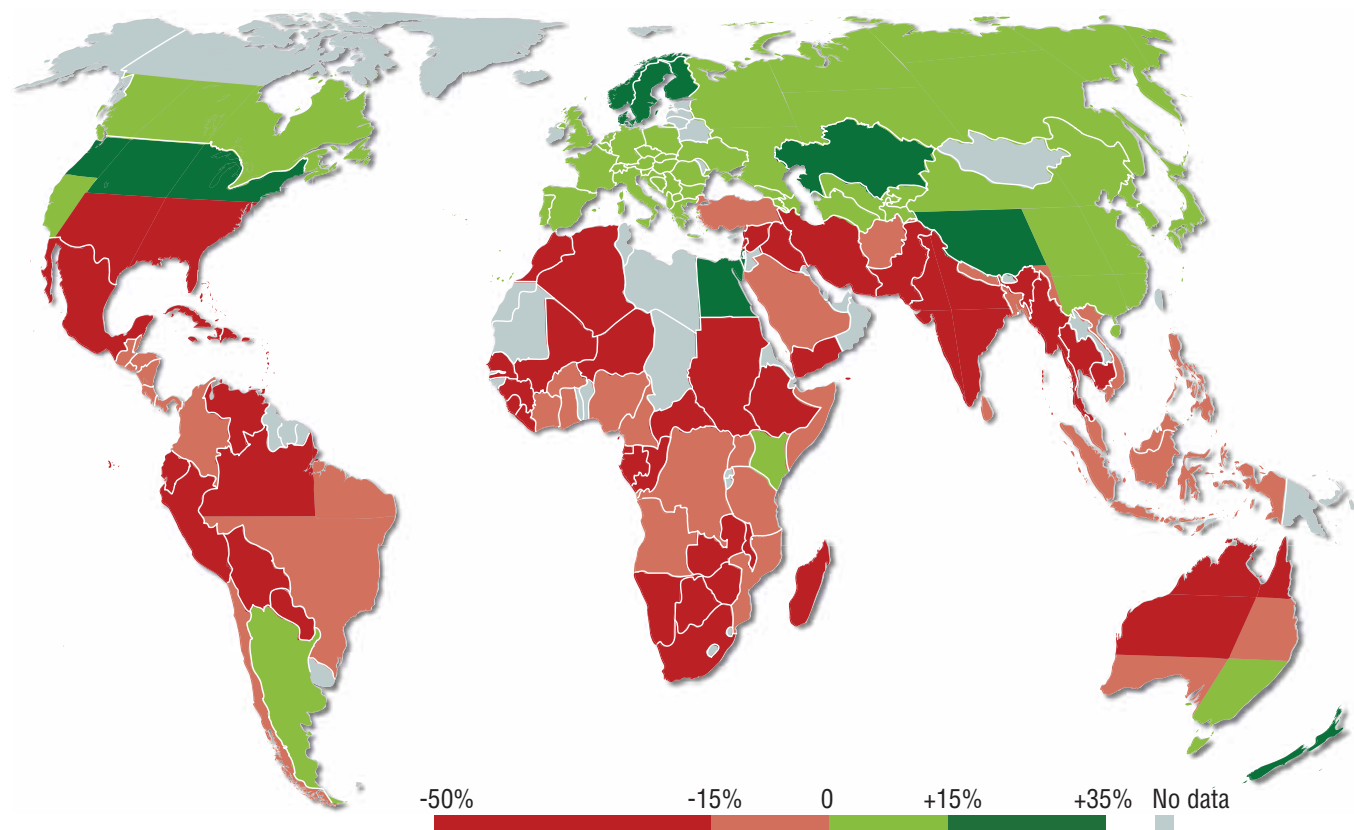
## Special Considerations for Agriculture

Climate change will tax the ability of the world's farmers to meet the ever-growing demand for food and other agricultural products. These effects will be most strongly felt in the lower latitudes, where the poorest countries are concentrated. By 2020, for example, African farmers in some countries could see their crop yields reduced by as much as 50 percent. Similarly bleak scenarios have been forecast for other regions of the Global South.<sup>29</sup>

Agriculture and how it is handled in global climate negotiations is extremely important to rural poor people. Two out of every three people who are chronically hungry live in a rural area of their country; they are predominantly smallholder farmers or agricultural laborers. Yet so far, global climate negotiations have paid scant attention to agriculture, either as a contributor to greenhouse gas emissions or as a potential contributor to mitigation. Agriculture has been regarded as a difficult sector to factor into the deliberations because of its sheer size as well as the difficulty of monitoring changes in land use and carbon impact. Global agriculture (including deforestation to make room for agriculture) accounts for 32 percent of total greenhouse gas emissions.<sup>30</sup> To meet the ever-increasing demand for food, the world must double its agricultural output by 2050, adding new layers of complexity to the issue of agriculture's implications for climate change.

Agriculture and forestry are also potentially significant carbon “sinks” for sequestering carbon. Depending on the land use regime followed, the sector could potentially move from being a net contributor to a net sink for green-

Figure 4.9 Projected changes in agricultural productivity in 2080 due to climate change



Source: World Bank *World Development Report 2010*.

house gases. For example, heavily-ploughed soil releases carbon dioxide and methane as once-buried organic matter is exposed. So techniques such as minimum tillage can play a significant role in tackling climate change. Other strategies include reducing deforestation, rehabilitating degraded lands, and improving water conservation and management. Agriculture thus serves as one of the most significant ways in which climate change adaptation can also serve mitigation goals. It is currently difficult to monitor and verify both above-ground and below-ground stocks of carbon, but this problem can be overcome with improved science and measurement methods. While additional work is needed to refine them, the technologies that would enable such monitoring either exist or will be available imminently.

In Burkina Faso, villagers in Fanwargu are realizing multiple benefits from planting trees. Trees prevent soil erosion. They provide firewood, building material, and, for those bearing fruit or nuts, food and cash crops. They are a natural barrier for livestock while attracting birds and other wildlife, and they offer shade and places to rest from the scorching sun. Understanding the benefits that trees provide means managing them as sustainable resources. Sustainable management techniques include knowing which trees (e.g. young saplings) and how many trees should be left standing; gathering firewood from the ground rather than cutting off limbs; using income from selling fruit and nuts to buy charcoal instead of relying on the trees as the sole source of firewood.

Not all villages are as cognizant as Fanwargu of the benefits they can derive from trees or the value of afforestation. This is a case where public policy can create the right incentives and eliminate the wrong ones. In fact, the task of engaging developing country farmers in greenhouse gas mitigation is more one of administration, ensuring that rewards—such as payments for avoiding emissions—are channeled to the right parties. These are the smallholder farmers, many of them women, who depend on farming and forestry for their livelihoods. As a group, they manage vast areas of land and forest; they are thus critically important to natural resource management and carbon sequestration. So far, there is no significant plan or strategy to compensate and encourage them to trap carbon and use good land stewardship practices. One key factor in developing such a plan is the need to resolve land tenure problems. It is essential to ensure that land rights to forests and farmland are established, steering payments for creating carbon offsets to those who actually manage and use the resources. Establishing and documenting secure land tenure rights is especially critical for women.

The history of climate change negotiations points to the need to include greenhouse gas sinks in any ultimate agreement.<sup>31</sup> The Waxman-Markey bill



In Fanwargu, Burkina Faso, Natama Alimata (third from left) and other women from the village earn their living as farmers, as do most women in Africa.



## BOX 4.2 WOMEN AND CLIMATE CHANGE

by Danielle Mutone-Smith  
*Women Thrive Worldwide*

Family nutrition is directly affected by women's ability to farm. Women farmers grow more than half of all the food in developing countries, and up to 80 percent in parts of Africa, generally in the form of small-scale crops for household consumption. Climate change has already begun to affect agricultural production and, consequently, women's livelihoods and their ability to support their families' nutritional needs. Extension efforts need to reach women, who often do not have access to information that would help them make better decisions about how to adapt to climate change.

Margaret W. Nea



Women are also the primary collectors of wood for fuel and water for household use. As climate change exacerbates desertification, these resources will become increasingly scarce, and make these tasks more difficult and time-consuming. This may directly affect girls' ability to attend school as household chores consume more of their time.

Women are also highly vulnerable to climate change-related natural disasters, and, as recent research has shown, face a significant risk of disaster-related fatalities. Following the 2004 tsunami in Asia, Oxfam International reported that three-quarters of the fatalities in eight Indonesian villages were women and girls. In the second

most affected district in India, Cuddalore, the proportion of female fatalities was nearly 90 percent.<sup>1</sup>

Furthermore, many of the daily challenges facing women farmers in the developing world, such as the difficulty of accessing credit, tools, training and technical advice, only increase their vulnerability to climate change. A recent study by the International Food Policy and Research Institute (IFPRI) showed that it is the more prosperous African farmers, those with access to credit, agricultural extension services, reliable information, and secure title to property, who were more likely to use adaptation techniques. Adaptation policies and strategies should take these factors into account and address the many obstacles women and subsistence farmers already encounter.

The reality is that women will likely be disproportionately affected by climate change yet remain under-represented in the decision-making bodies that are working to develop a sustainable path forward. Therefore, it is critical that women be included in the development of climate change policies at local, regional, and global levels. Women's expertise and knowledge should be used in developing climate change mitigation, disaster reduction, and adaptation strategies.

Climate change will affect women and men differently, and these differences will have a direct effect on the lives of families and communities. Adaptation and mitigation measures should take advantage of gender analysis so that the needs of both women and men are built into initiatives from the beginning. The linkages between climate change, agriculture, and gender will continue to evolve and it's important that gender be integrated into climate change research. Planning and strategy development must put gender at the forefront to avoid losing valuable time.

*Danielle Mutone-Smith is director for global trade and agriculture policy at Women Thrive Worldwide, the leading non-profit organization shaping U.S. policy to help women in developing countries lift themselves out of poverty.*

passed by the U.S. House of Representatives includes strong incentives for private investment in tropical forest conservation. The bill sets aside a pool of money for this purpose that, by itself, would achieve a 10 percent reduction of U.S. emissions from their base level (defined as the emissions level in 2005).<sup>32</sup> Forest conservation is one of the quickest and most cost-effective means of controlling greenhouse gas emissions. “The Waxman-Markey bill’s forest provisions provide a model for action by other countries,” says Glen Hurowitz, director of Avoided Deforestation Partners. If other industrialized countries adopt similar tropical forest conservation measures, says Hurowitz, “deforestation could be ended or even reversed—a huge global achievement that, until Waxman-Markey, seemed tragically out of reach.”<sup>33</sup>

## The Politics of Climate Change

When developing countries reject internationally-set limits on greenhouse gas emissions, it’s not as though they are taking a “heads in the sand” approach. Many developing countries—Bangladesh or the Maldives, for example—take climate change and its consequences very seriously. Their objections to the limits are largely about fairness; they argue that the countries responsible for greenhouse gas accumulation should bear the bulk of the costs of mitigation.

Another concern is whether rich countries can be counted on to honor their commitments. As the International Commission on Climate Change and Development puts it, “Those who do not trust one another to keep to commitments can rarely negotiate successfully, especially on something as complex as a post-Kyoto climate framework.”<sup>34</sup>

Developing countries might be more amenable to binding emission reductions if they were persuaded that developed countries are prepared to follow through on pledges of support for adaptation and technology transfer. With recent history as a guide, though, it would seem that developing countries have ample reason to be concerned. Leaders of rich countries have promised many times to increase development assistance and failed to do so.<sup>35</sup> At the 2005 G-8 summit, developed countries promised to double aid to Africa

**Figure 4.10 Climate change accelerates the comeback of dengue fever in the Americas**



Source: World Bank *World Development Report 2010*.

to help meet the MDGs, but these promises have not been kept. Likewise, commitments to help Africa adapt to climate change were made but have not materialized.<sup>36</sup> The Doha Round negotiations of the WTO opened in 2001, with one of its stated objectives to help poor countries gain greater access to markets in rich countries. In 2009, after years of rancorous negotiation, the Doha talks broke down and have not substantively resumed. In the United States and Europe, policy incoherence has been blatant. Just one example: the agricultural subsidies Congress permitted in the 2008 U.S. farm bill contradicted the Bush administration's development objectives on Doha.

Building trust—or rebuilding it—must be central to any climate change agreement. Just like any other country, the United States needs to show that it can be relied on to keep its commitments. Pledges by members of Congress

not to ratify any climate change agreement proposed by the Obama administration do not inspire confidence on the part of developing countries. In 1997, the Senate voted 95-0 not to pass the Kyoto Protocol. Twelve years later, much has changed in the United States, including polling data indicating that the U.S. public understands more clearly now the gravity of climate change and the need for international cooperation.<sup>37</sup> But it's not clear that Congress has been learning at the same rate as the public. It was disturbing that during the final hours of House negotiations on the Waxman-Markey bill, a number of representatives simply continued to challenge the fact of climate change.

Climate change “deniers” are a shrinking problem. More significantly, climate change politics is reflected in regional perceptions of the economic costs and benefits. In the United States, energy politics tends to be more geographic than ideological. States where coal-fired energy production is important to the economy have a different take on what is politically acceptable than states forging ahead on renewable energy production. Similarly, countries' positions on climate change and sustainable growth are to a large extent contingent on how economically developed they are. Poor countries are more focused on developing their economies now than they are on waiting to

develop with clean, renewable forms of energy.

If climate change negotiations fail to produce meaningful progress, it will be the Least Developed Countries (LDCs) that suffer the greatest harm; in fact, their development prospects will be severely compromised. These countries need a multilateral framework if their voices are to be heard at all. Africa is home to 33 LDCs.<sup>38</sup> The cost of climate adaptation alone is estimated to be 5 percent to 10 percent of the continent's GDP.<sup>39</sup> African countries need every available dollar of development assistance and more, and they are understandably worried that international support for poverty



A village in Sudan, one of the countries where the effects of climate change mean people already at risk of hunger are ever more vulnerable.



reduction and economic growth will be diverted to climate change adaptation, a bookkeeping sleight of hand rather than a helping hand.<sup>40</sup>

The onus is on developed and rapidly developing countries to forge an agreement that will put everyone on a path to sustainable growth. The United States, the European Union, and other rich countries, as well as China, India, Brazil, and other rapidly developing countries, will continue to develop renewable energy technologies. They will invest and trade in these technologies as part of bilateral and regional political and commercial agreements. But poor countries have no technologies to trade, and the poorest and most vulnerable will be struggling under rising temperatures and rising sea levels, with large numbers of their people fleeing to wherever they can find food and a livable environment.

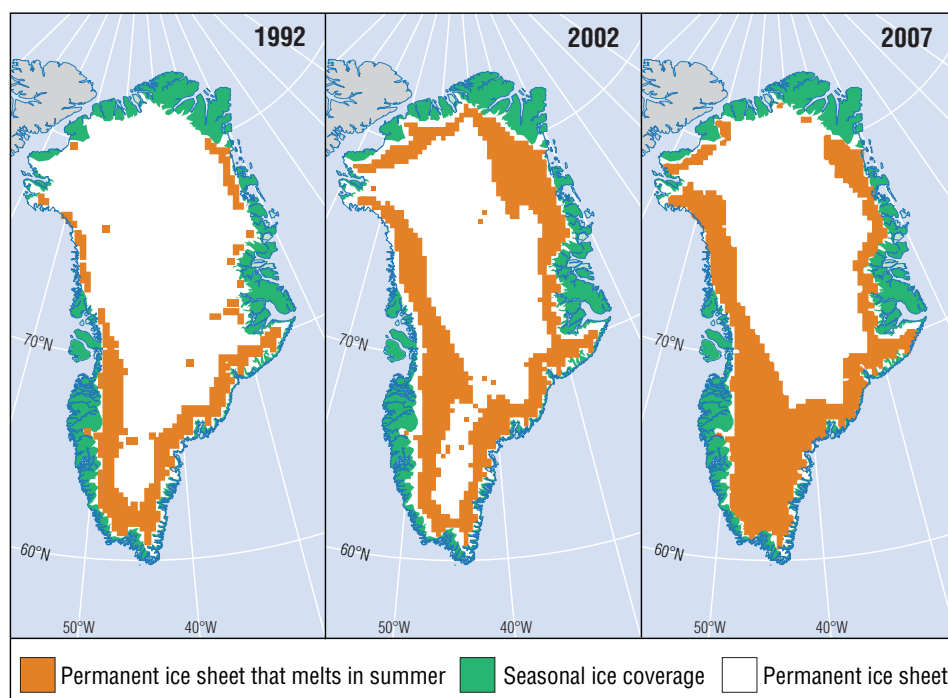
Increasingly advanced scientific models indicate that Earth is warming faster than previously projected. Working with developing countries to transition to clean energy sources and to adapt to the impact of climate change will not only reduce global greenhouse gas emissions, it will foster economic growth and poverty reduction around the world.

## Making the Connections

Scientists talk about the “feedback loops” that occur as climate change accelerates. Rising levels of carbon dioxide (CO<sub>2</sub>) and other greenhouse gases cause warming temperatures that lead to melting glaciers; melting glaciers reduce the Earth’s ability to absorb CO<sub>2</sub>; the additional CO<sub>2</sub> accelerates the warming trend, melting layers of permafrost, beneath which more CO<sub>2</sub> is stored and then released. One climate-changing event leads to another, which leads to another, and so on, reinforcing the changes and accelerating their deadly consequences.

However, clean energy also has the potential to create feedback loops—only these could reverse climate change and promote development in poor parts of the world. Energy use creates opportunities for economic growth that lead to poverty reduction, decreasing hunger, and improvements in health and education. Earlier in this chapter we saw this happening in the Ethiopian village of Rema, an inspiring but rare example.

Figure 4.11 Greenland’s melting ice sheet



Source: World Bank *World Development Report 2010*.



The economies that grew at a tremendous rate in the 20th century did so using energy produced from fossil fuels. Today, no country's future is secure unless all countries reduce dependence on fossil fuels and increase use of clean energy. The rich countries can make the transition because they have the resources to do so. Poor countries can't develop and simultaneously make the transition to clean energy without special efforts on the part of rich countries to help them. Such efforts are worthwhile for everyone's sake. This is the challenge and the promise of Copenhagen.

On his first visit to sub-Saharan Africa after taking office, President Obama said, "I see Africa as a fundamental part of our interconnected world, as partners on behalf of the future that we want for all of our children." Climate change and the global recession are reminding us how interconnected all countries have become.

## Key Points in Chapter 4

Developing countries will disproportionately suffer the consequences of climate change. Absent a global agreement on climate change, it will almost certainly become more difficult to achieve the Millennium Development Goals, the fundamental framework for global development.

In the United States, a sustainable recovery from the recession also depends on reaching a global agreement on climate change. The U.S. government, its credibility harmed by a dismal record to date, must prove convincingly to the rest of the world that it is prepared to lead in the battle against climate change.

A meaningful global agreement on climate change must do the following:

- **establish acceptable limits on greenhouse gas emissions** and determine which countries should be bound by these;
- **transfer technologies from rich countries to poor ones** and accelerate the development of clean-energy alternatives to fossil fuels in all countries;
- **commit rich countries to providing funds** over and above current levels of official development assistance to help poor countries adapt to climate change;
- **reward agricultural producers** for sequestering carbon in the ground.

# TRADE AND CLIMATE CHANGE

by Salik Farooqi

Two broadly accepted goals for the world community are: a) the achievement of fair and open trade; and b) clean-energy development to help mitigate climate change. Without trade, much of the socio-economic development and poverty reduction we have seen around the world in the last two centuries (from the United States and Western Europe to the “East Asian Tigers” and the BRIC nations: Brazil, Russia, India, China) would not have occurred. And without the development of clean energy, we will not be able to prevent future climate change, and we will not be able to counter the effects of the climate change that is now inevitable.

Unfortunately, there is already tension in the simultaneous achievement of these two goals, arising from the fact that the effects of climate change are, and will be, felt transnationally—i.e. across all countries. However, the mechanisms to mitigate and adapt to climate change have to be adopted and implemented nationally—i.e. by individual countries. This means that countries opting for higher environmental standards and clean energy by reducing emissions may place their domestic industries at a competitive disadvantage in the global markets, and in doing so, threaten to reduce income and employment opportunities for their own citizens.

To reduce emissions countries may either tax them, regulate them, or introduce cap-and-trade systems. But all mechanisms lead to an increase in production costs. Indeed, this is the desired aim—to increase the price of CO<sub>2</sub> emissions, thus providing incentives for producers

to shift to clean-energy sources that emit little or no CO<sub>2</sub> into the atmosphere. However, if other countries do not



Bangkok, a city of 10 million people, has helped to make Thailand one of the “Asian Tiger” economies. But climate change could leave this low-lying city under water by midcentury.

follow suit and act to reduce emissions, their industries will face relatively lower production costs, thus raising the disturbing prospect that such countries may become “pollution havens,” attracting companies that are looking to increase profits by lowering costs.

To illustrate this scenario one only need to consider the issue of labor standards. Over the last 50 years, many companies have relocated production to countries that have lower labor costs. This is often related not strictly to low wages, but also to relatively low labor standards (e.g. unsafe working conditions, no right to unionize) compared to those that exist in the United States and Western Europe. The intent of relocating was to lower production costs and increase profit margins. The practical effect, though, is to put companies and countries on a global slippery slope of worsening labor standards.



# TRADE AND CLIMATE CHANGE

In addition to the economic problems, “pollution havens” would also pose the problem of “carbon leakage.” Because companies will just relocate to “pollution havens” and continue to emit CO<sub>2</sub>, global emissions of CO<sub>2</sub> may not fall nearly to the extent needed. As such, the prospect of “carbon leakage” defeats the purpose of emission reductions in any one country.

To counter the problems posed by “pollution havens,” and to create incentives for clean-energy use across the world, countries may opt to introduce trade restrictions on goods produced in countries that do not enact emission reductions. These trade restrictions may come in the form of tariffs or technical requirements (such as labeling to indicate the energy efficiency of a product). A country may also choose to subsidize domestic clean-energy use by its industries, offsetting the higher cost of emission reduction technologies. Such measures will allow countries pursuing clean-energy development to maintain competitiveness vis-à-vis countries that are not. In doing so, these measures will make it less likely that “pollution havens” will develop and that “carbon leakage” will occur.

Here it is important to note that while the World Trade Organization (WTO) generally disallows trade restrictions, its rules allow trade restrictions in pursuit of certain policy objectives, as long as a number of specific conditions are met. Of particular interest here is the fact that WTO case law indicates that environmental objectives may take precedence over WTO rules. Therefore, trade restrictions imposed to further clean-energy development may well be permitted by the WTO.

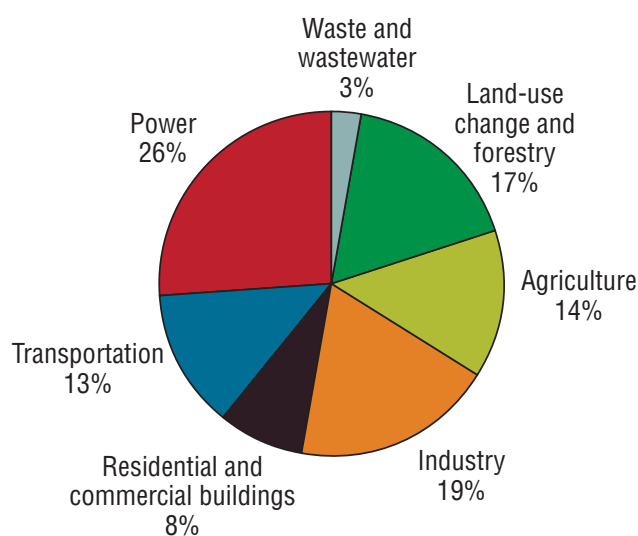
Of course, the dilemma is that trade restrictions—even if they aim to further clean-energy development—will obviously go against the aim of achieving fair and open trade. Indeed, they may spark a trade war, as countries retaliate by pursuing “beggar-thy-neighbour” policies, enacting trade barriers against each other. The net result will be not only a decrease in world trade, but also a reduction in global economic growth.

Trade restrictions may also hamper the ability of countries to acquire the means of pursuing clean-energy development by introducing barriers to the transfer of technology. This problem is especially acute for developing countries, as they do not currently have the technology, skills and expertise to pursue clean-energy development.

Furthermore, the enforcement of fair and efficient trade restrictions against non-climate friendly products will be an extremely challenging task. For example, if a country chooses to impose a tariff on the carbon content of a product, how would this carbon content be calculated? Would the carbon content of intermediate goods used in the production of the end-product be taken into account? What if the intermediate processing of the product occurred in a third country? Importantly, how do we determine whether or not a country has acted to reduce emissions?

While emissions caps and taxes are meant to reduce CO<sub>2</sub>, countries may choose other measures. For example, China’s new building code, promulgated in 2006, requires all new buildings to halve their energy consumption. This

**Figure 1 Worldwide greenhouse gas emissions by sector**



Source: World Bank *World Development Report 2010*.

# TRADE AND CLIMATE CHANGE

policy will lead to emissions reductions, but since it does not directly introduce an emissions cap or a carbon tax it would be overlooked, exposing Chinese goods to unfair trade restrictions.

The last example speaks to the concern that many have about trade restrictions ostensibly imposed to promote clean-energy development—namely, that they may in fact just be plain old protectionist measures imposed under the false pretense of combating climate change.

No supra-national entity exists (nor is one in the cards) that can enact, monitor and enforce emissions reductions across the world. Therefore, in order to achieve global emissions reductions, stave off “pollution havens,” and prevent “carbon leakage,” the imposition of trade restrictions on non-climate friendly products is both inevitable and necessary. Ultimately, these trade restrictions will produce tension between trade and climate change; tension that will arise in the form of questions, the answers to which will hinge almost entirely on interpretations—for example, whether a tariff imposed on a product is fair or unfair.

That said, trade policy can also be creatively formulated to support measures that cut emissions. For example, the

European Union’s trade policy provides special tariff rate cuts to developing countries that export to the EU, if these countries have ratified and implemented global environmental agreements. Indeed, trade policy can be designed to support trade in clean-energy goods, and to provide impetus for the spread of clean-energy technology around the world.

The relationship between trade and climate change will certainly lead to complicated and intense negotiations at Copenhagen, especially given the framework of “common but differentiated responsibility” for emissions reductions. Clear rules of engagement with regard to trade and climate change as part of a global deal will have to be an outcome of the Copenhagen summit. Such an outcome is imperative if we are to forestall states from acting individually and resorting to protectionist measures (albeit in the name of climate change) that will eventually result in damaging consequences for all.

*Salik Farooqi is Hunger Report project assistant at Bread for the World Institute. He is also a doctoral researcher in the University of Michigan’s Department of Sociology.*



Copenhagen, Denmark, the site of the United Nations Conference on Climate Change, where countries of the world met in December 2009 to negotiate a new global agreement on climate change.



**Working together with like-minded people across the nation multiplies one's impact.**



Rick Reinhard



## Conclusion

# What You Can Do

IN 1941, FOLLOWING A SPEECH BY THE AFRICAN AMERICAN CIVIL rights leader A. Philip Randolph, President Franklin D. Roosevelt remarked, “You know, Mr. Randolph, I’ve heard everything you’ve said tonight, and I couldn’t agree with you more. I agree with everything that you’ve said, including my capacity to be able to right many of these wrongs and to use my power and the bully pulpit. ... But I would ask one thing of you, Mr. Randolph, and that is go out and make me do it.”

Industry groups spend vast sums of money to affect policy in ways that serve their own interests, regardless of whether the greater public good will be served. While it’s easy to be cynical about politics in the United States, it still holds true that citizens, when we organize and speak with one voice against social and economic injustice, also have tremendous influence. Average citizens have far more power than we sometimes realize to influence what policymakers are willing to do.

Every member of U.S. society, including people who do not see themselves as leaders in a traditional sense, can play a role in holding government and other institutions accountable to moral standards. An individual may feel isolated, but working together with like-minded people across the nation and the world multiplies one’s impact. Participating in building the common good can also be personally satisfying and contribute to one’s own sense of wholeness, community, and spirituality.

Since its founding 36 years ago, Bread for the World has provided citizens with a way to raise our collective voices, amplifying a simple message that hunger is unacceptable anywhere. Bread for the World helps people do as President Roosevelt advised—go out and make elected officials do



Brittany Thomasson

something about hunger. In the years to come, as the country recovers from this painful recession, Bread for the World will continue to remind policy-makers not to forget about poverty and hunger, persistently poor communities, and the stubborn inequalities that keep people from participating fully in society.

The Reverend Arthur Simon, Bread for the World's founder and first president, explained the organization's *raison d'être* in his 2009 book *The Rising of Bread for the World*. "Why would an organization on world hunger deal with political and economic issues? Precisely because we want to show the link between hunger and poverty, between hunger and injustice. ... Enabling hungry people to feed themselves means dealing with the root causes of hunger. That requires us to help shape government policies, for U.S. policies often vitally affect the world's hungry. Bread for the World wants to organize citizen participation from within the churches on their behalf."

Bread for the World is a collective Christian voice urging the nation's decision makers to end hunger at home and abroad. By changing policies, programs, and conditions that allow hunger and poverty to persist, people like you can provide help and opportunity far beyond the community where you live.

Bread for the World works in a bipartisan way and enjoys the support of many different church bodies. Working through churches, campuses and other organizations, Bread for the World builds the political commitment needed to overcome hunger and poverty.

One reason Bread for the World has flourished for decades is the educational materials developed by its secular partner, Bread for the World Institute. The Institute was established to provide the analysis and intellectual underpinning of Bread for the World's core work, advocacy

on behalf of hungry and poor people wherever they may be. The annual Hunger Reports serve as a resource for all who want to understand the root causes of hunger and how to address them.

This report, *A Just and Sustainable Recovery*, builds on the domestic poverty analysis in the 2008 report, *Working Harder for Working Families*. The earlier report focused on working poor families and the ways federal policies can help reduce poverty and economic insecurity. Our current report refers to some of these same policies, but takes a broader view of the U.S. economy. In the midst of the worst recession since the Great Depression, the United States finds itself at a crossroads: Will it continue to walk down a path of widening socioeconomic inequality, or will it make the necessary investments to



During Lobby Day 2009, the Bread for the World California delegation met with Rep. Howard Berman (D-CA) to thank him for his support of foreign assistance reform.

ensure everyone is included in the recovery? With the right leadership and policies, this can be a just and sustainable recovery for all.

By reading this report, you have added to your knowledge about hunger and its causes. We hope you will use what you've learned and share it with others. This report is available online at [www.hungerreport.org](http://www.hungerreport.org), where you will find other resources to augment what is included in the printed edition.

Ending hunger and poverty may seem like a monumental task, but in the end it comes down to political will, i.e. do we want to do it? Changing the political dynamics on these issues starts right within our own circles of family and friends and spreads from there to our communities and beyond. By sharing this report with others, you can help mobilize the political will needed to end hunger and poverty in this country and around the world.

## How to become more involved:

**Become a member of Bread for the World** by visiting our Web site ([www.bread.org](http://www.bread.org)) or calling 1-800-82-BREAD. As a member, you will receive up-to-date information about how you can communicate with your elected representatives and help shape hunger-related legislation. Your financial contributions also help to change policies in ways that benefit hungry people worldwide.

**Involve your church.** Each year, more than a thousand churches hold an "Offering of Letters" to Congress. Just as churches take up offerings of money to help people in need, these churches invite their members to write to Congress on a Bread issue.

**Become an activist.** You can join or form a Bread for the World group in your church or community. Some groups meet just a few times a year to take specific action, such as visiting their members of Congress or planning a workshop for local congregations. In most congressional districts, volunteers have organized telephone trees to mobilize action at key points in the legislative process.



Bread for the World members write letters to Congress in support of hunger-fighting legislation.



# CHRISTIAN STUDY GUIDE – LEADER’S RESOURCE

## Study Guide Contents and General Process Suggestions



1. The Study Guide includes six small-group sessions based on sections of the 2010 Hunger Report (The Introduction, the Letter to President Obama and four chapters). Groups may do as many of the sessions as they wish. If your group chooses to do only one session, it is recommended that it be the

Session 1, which is based on the Introduction of the 2010 Hunger Report. It is also recommended that you do Session 6 last, the Letter to President Obama, regardless the number of other sessions you plan to do. The more of the guide you complete, the richer will be your discussion of that last session.

2. The study guide is designed for Christians of many theological and political viewpoints. You should feel free to adapt the guide to enhance the experience for your group. The section below Notes on Pre-Session Preparations steers your group to websites relating social policies to different Christian traditions.

3. It will enrich the sessions if participants have read the corresponding chapters of the 2010 Hunger Report—but is not required. *A Just and Sustainable Recovery* is filled with detailed analysis, statistics and stories. It is expected that small-group participants will contribute their own life experience and knowledge to the discussion.

4. Each session includes:

- Opening and closing prayers—these can be adapted or replaced with other prayers;
- Opportunities to engage the group in Scripture-based reflection on God’s intentions for the world;
- Opportunities to engage your group in analysis of current realities based upon their reading the Hunger Report and life experiences;
- An invitation to act in light of the discussion.

5. It should take 1–1.5 hours per session.

6. Scripture passages have been taken from the New Revised Standard Version of the Bible, but you may use other versions of the Bible. Comparing text between versions may enrich group discussion.

7. Participants are invited to share stories and activities related to this study guide through Bread for the World at [www.bread.org/hungerreport](http://www.bread.org/hungerreport). As your group plans and takes action, please share stories of successes and lessons learned. Your stories will help to inspire and advise others.

## Notes on Pre-Session Preparations

1. At least one Bible is required for each session. Participants could be encouraged to bring additional translations.

2. It will be helpful to have copies of the outline to the session you are doing.

3. After you familiarize yourself with the outline of the session, you may adapt the activities to best serve the needs of your group.

4. To learn more about social policy in your own Christian tradition, you should visit the website of your denomination or national group. Sometimes these include a discussion of social policies.

### National Association of Evangelicals

[www.nae.net/government-affairs](http://www.nae.net/government-affairs)

### U.S. Conference of Catholic Bishops

[www.usccb.org/sdwp/projects/socialteaching](http://www.usccb.org/sdwp/projects/socialteaching)

### The National Council of Churches

[www.ncccusa.org/NCCpolicies](http://www.ncccusa.org/NCCpolicies)

5. The sessions based on Chapters 1 and 2 and on the Letter to President Obama include activities that use newsprint or a white board. However, other sessions might also be enhanced by having these resources available.

6. The mapping activity in the session based on Chapter 3 needs paper and colored pencils or markers for each individual in the group.

7. The session on Chapter 4 has an activity which requires a computer and internet connection. Participants might do this activity beforehand if it cannot be done during the session.

# CHRISTIAN STUDY GUIDE – LEADER’S RESOURCE

## Ideas for Action

Each session of the Study Guide invites participants to consider how they might act in response to the issues discussed. Here are suggestions for some actions to engage your whole group. The size and nature of your group may require you to adapt the following activities, but the descriptions below provide a template for action.

### 1. Cross-Community Field Trip

Visit a church donfronting different socioeconomic conditions than yours faces. Make arrangements to meet with some of the people from the opposite congregation and talk about what their community looks like and why. Discuss each other’s challenges and opportunities, and pay special attention to what the starting points are in each community. How can you partner with this church to remake communities of exclusion into gateways of opportunity for everyone?

### 2. Write about right relationship

#### *a) Bread for the World’s Offering of Letters*

Each year, Bread for the World invites churches and campus groups across the country to take up

a nationwide Offering of Letters to Congress on an issue that is important to hungry and poor people. The Offering of Letters enables individuals to see their concerns translated into policies that help hungry and poor people improve their lives. To learn more about Bread for the World’s Offering of Letters this year, visit [www.offeringofletters.org](http://www.offeringofletters.org)

#### *b) Write your state or local representative*

Write letters to your representative (city council, state assembly, Congress) to share your thoughts and concerns regarding high-poverty communities.

### 3. Fair Trade Market

A fair trade market can be arranged at your campus or church to restore the relationship between producer and consumer. Fairly traded products ensure that workers are paid a fair wage for their labor.

Visit these websites to find fair trade vendors:

[www.fairtradefederation.org](http://www.fairtradefederation.org),  
[www.tenthousandvillages.com](http://www.tenthousandvillages.com),  
[www.serrv.org](http://www.serrv.org)



Bread for the World

# CHRISTIAN STUDY GUIDE – SESSION 1

## Introduction: Recession, Recovery and Resilience



Richard Lord

### Right Relationship – Justice and Righteousness

In most languages, the word for “justice” is the same as the word for “righteousness.” This is true in both Hebrew and Greek, the languages from which our Bibles are translated. In Spanish the word is “justicia.” These words mean “right relationship”: right relationship with God (righteousness/justicia) and right relationship among people (justice/justicia). Jesus summarized this as “Loving God” and “Loving neighbor.”

Many passages about injustice point out that there is a fundamental breakdown in relationships—between individuals, within society and its structures, between people and creation, and in the way that government leaders respond to the needs and concerns of people. Those passages also point out that even if people are praying, fasting, bringing offerings, and worshiping God, their relationship with God is not right if they allow injustice. Isaiah 58 presents a vision of justice and righteousness and how right (or restored) relationships can look.

Whenever you see the words “justice” or “righteousness” in a Scripture passage, consider the meaning of the passage in terms of the context above.

*Note:* This may be used as the first of multiple sessions or as a stand-alone session.

### Opening Prayer

God of abundance, God of enough, we praise and thank you for inviting us into rich relationship with you and with each other. We confess that we often think not of the way you intend for us to live rightly and justly with one another, but rather in ways that lift our wants and desires above that which are good for all of your children. Lead us and guide us to understand how we should live and act in your world. In the name of Jesus, who through his actions and sacrifices teaches us what righteousness and justice should mean. Amen.

### The World as God Intends and Today’s Global Reality

From the Scriptures we learn about God’s intentions for the world. Read the Scripture passage listed and then make notes in the space below about the values or principles that are part of God’s hope for us. Then use following space (Today’s Reality) to record your own knowledge and what you’ve learned by reading the Introduction of to the 2010 Hunger Report. Note how God’s intentions are and are not represented in today’s world.

#### Matthew 25:31-46

God’s Intentions \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Today’s Reality \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### Mark 12:28-34

God’s Intentions \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Today’s Reality \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



# CHRISTIAN STUDY GUIDE – SESSION 1

## Isaiah 58: 1-14

God's Intentions \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Today's Reality \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## Isaiah 65:17-25

God's Intentions \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Today's Reality \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## Analyze Current Reality

1. Reflect on how the financial crisis and recession of 2008 and 2009 have affected you and the people you know in terms of employment, housing, savings, expectations, and dreams. See if each person can think of a story that captures the experience and share it with your group. What themes run through all these stories?
2. Find Figure i.1 (Households with Food Insecurity Among Children) on page 12 in the 2010 Hunger Report. Look at the second pie chart on Annual Household Income. A family must be at or below 130% of poverty line to be eligible for free school lunch or SNAP benefits (formerly called Food Stamps). A family can be eligible for reduced-price school lunch if their income is between 130-180% of the poverty. What does a graphic like this tell you? What can we learn about the state of relationships within our society with statistics like these?

Find also the graphic under Figure i.7 (Income and Expense Changes) on p. 26. Compare and contrast these two figures. What concerns do these figures raise for you?

Feel free to use the other pie charts under Figure i.1 or the other graphics in the Hunger Report Introduction to enrich your conversation.

3. Find Table i.1 (Job Creation Through Green Investments vs. Fossil Fuels) on page 20. Review the table together. Is there anything about this table that you find particularly interesting or surprising? What stories do you have from your personal experience or through things you have read or seen in the media that address job creation through green investments? How might green job investments help to repair or restore relationships among people or with creation?

## Reflection and Sharing on Restoring Relationship

How do you understand the connection between justice and right relationship in your own life?

## Act

Based on what you have shared and learned in this session, could there be some personal or shared action that restores a relationship to which God might be calling you?

Consider inspiring others with your story. Bread for the World is collecting stories of what individuals and groups are doing to grow the movement to end hunger. Please visit [www.bread.org/hunger-report](http://www.bread.org/hunger-report) and share the action(s) you took.

## Closing Prayer

Use what you wrote under The World as God Intends and Today's Global Reality to inform and guide your prayer. Participants may insert thoughts from their notes into the prayer.

**Prayer:** God, help us to work for right relationships in all situations.

When we see [*Negative Situation–Today's Reality*], help us to remember [*God's Intentions*]

When we see [*Negative Situation–Today's Reality*], help us to remember [*God's Intentions*]

When we see [*Negative Situation–Today's Reality*], help us to remember [*God's Intentions for the World*]

Make us instruments of justice, righteousness, peace and love. Amen.

# CHRISTIAN STUDY GUIDE – SESSION 2

## Chapter 1: Work in a Sustainable Economy

Rick Reinhard



### Right Relationship – Justice and Righteousness

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Many passages about injustice point out that there is a fundamental breakdown in relationships—between individuals, within society and its structures, between people and creation, and in the way that government leaders respond to the needs and concerns of people. Those passages also point out that even if people are praying, fasting, bringing offerings, and worshiping God, their relationship with God is not right if they allow injustice. Isaiah 58 presents a vision of justice and righteousness and how right (or restored) relationships can look.

Whenever you see the words “justice” or “righteousness” in a Scripture passage, consider the meaning of the passage in terms of the context above.

### Opening Prayer

Lord of Heaven, Maker of Earth, you have set everything in its place and given everyone a purpose. Help us to appreciate the array of gifts and skills, the diversity of callings and professions that you have ordained. Grant us the understanding to see you in each person and hearts that would value them all. Amen.

### The World as God Intends

Read, reflect and answer the questions following each Scripture passage.

Begin by reading Exodus 1:8-14 and all of Exodus 5.

Throughout Scripture, we see blessings pronounced on those employers who pay their workers fair wages and judgment against those who do not. In the Old Testament, God reminds the Israelites of their history as a people oppressed under the yoke of slavery and warns them not to become oppressors in their own employment practices. One of the most potent warnings comes in Deuteronomy 24:14-15:

“You shall not withhold the wages of poor and needy laborers, whether other Israelites or aliens who reside in your land in one of your towns. You shall pay them their wages daily before sunset, because they are poor and their livelihood depends on them; otherwise they might cry to the Lord against you, and you would incur guilt.”

God knew that many workers were living paycheck to paycheck, as it were, and commanded the Israelites not to take advantage of these workers, regardless of their citizenship. How might this concept be applied today?

In Scripture, there is an emphasis on the dignity of all work. Paul’s words to the church in Corinth ring true of our economy (1 Corinthians 12:21-22).

“The eye cannot say to the hand, ‘I have no need of you,’ nor again the head to the feet, ‘I have no need of you.’ On the contrary, the members of the body that seem to be weaker are indispensable.”

What parallels do you see with jobs in our economy?

### Analyze Today’s Reality

1. Each person makes two lists. The first list should be of the people and professions that you rely on directly everyday. For example, if you are a student, “Teachers” might go on the first list. On the

# CHRISTIAN STUDY GUIDE – SESSION 2

second list, include all the professions and people you rely on indirectly on a regular basis. If you drive to work, you might put “Auto workers.” Try to make the lists as comprehensive as possible; different people and different lifestyles will necessarily mean interactions with different types of workers.

What do you notice from the lists? Which professions do we afford more dignity? Which are paid more? Are there any patterns? Hopefully, you are able to see from the length of these lists how interconnected we are, and how important each type of work is.

2. In Leviticus 23:22, God gives a command to those who own land and capital:

“When you reap the harvest of your land, you shall not reap to the very edges of your field, or gather the gleanings of your harvest; you shall leave them for the poor and for the alien: I am the Lord your God.”

This verse does not call on the landowners to issue handouts; it tells them to provide work, namely harvesting. The command is a call to provide work for all and allows workers to enjoy the fruits of their labor. In the Ten Commandments that God gave to Moses is the requirement to keep the Sabbath holy by resting from labor. To what extent do we fulfill these two commandments to provide ample rewarding work and opportunity for rest from that work?

Low wages make it very difficult for workers in some sectors of the economy to take a day off and still be able to provide for their family. Moreover, the fact that some laborers, such as direct-care workers, are not covered by standard labor laws and not even classified as workers suggests that we value some work but not all. Look at figure i.6 in the 2010 Hunger Report on page 24. Think about what each line represents. What does increasing productivity tell us about workers? What does stagnating compensation tell us about the relationship between work and reward?

3. Think about purchases and choices you make that affect your relationships—direct and indirect—with all the workers that you listed. How might your choices harm or help those relationships? What policy decisions might disrupt or repair those relationships?

Read the sidebar in chapter 1 about the DC Central Kitchen. Discuss how this program works to restore relationships.

## Reflection and Sharing on Restoring Relationship

What assumptions do you hold that must be changed to respect the dignity of all workers? What assumptions do you hold that respect the dignity to all workers? In what way do these assumptions reflect a lack of justice and righteousness in relationships? What choices can you make to help restore those broken relationships so that they reflect God’s intentions for our world?



## Act

Based on your reflections, how might God be calling you individually or your group to act? Consider inspiring others with your story.

Consider inspiring others with your story. Bread for the World is collecting stories of what individuals and groups are doing to grow the movement to end hunger. Please visit [www.bread.org/hungerreport](http://www.bread.org/hungerreport) and share the action(s) you took.

## Closing Prayer

Lord, you have called us to treat all people with dignity. Show us how we may, with our thoughts and our actions, honor the dignity of all work and all workers. Amen.



## Chapter 2: Pulling Inequalities Up By the Roots



Rick Reinhard

### Right Relationship – Justice and Righteousness

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Whenever you see the words “justice” or “righteousness” in a Scripture passage, consider the meaning of the passage in terms of the context above.

### Opening prayer

Gracious God, we thank you for glimpses all around us of your reign. Before you, we remember all who are poor and neglected. Do not let us forget them. We especially pray for people who are homeless or at risk of becoming so, those who are sick and have no one to take care of them, and those who are unable to find meaningful work. Help us to be agents of your will and your reign. Amen.

### The World as God Intends

Read, reflect, and then answer the question at the end.

Right relationship between people includes economic justice. Proverbs 22 disapprovingly notes the reality of economic inequality: “The rich rule over the poor, and the borrower is the slave of the lender”(22:7). The chapter goes on to offer a clear sense of God’s concerns, as well as some guidance:

- <sup>8</sup> Whoever sows injustice will reap calamity,  
and the rod of anger will fail.
- <sup>9</sup> Those who are generous are blessed,  
for they share their bread with the poor.
- <sup>22</sup> Do not rob the poor because they are poor,  
or crush the afflicted at the gate;
- <sup>23</sup> for the Lord pleads their cause  
and despoils of life those who despoil them.

In the New Testament, the apostle Paul writes in 2 Corinthians 5:

<sup>17</sup>So if anyone is in Christ, there is a new creation: everything old has passed away; see, everything has become new! <sup>18</sup>All this is from God, who reconciled us to himself through Christ, and has given us the ministry of reconciliation; <sup>19</sup>that is, in Christ God was reconciling the world to himself, not counting their trespasses against them, and entrusting the message of reconciliation to us. <sup>20</sup>So we are ambassadors for Christ, since God is making his appeal through us; we entreat you on behalf of Christ, be reconciled to God.

Biblical scholar Ched Myers points out that Paul’s discussion in 2 Corinthians 5 of the world being reconciled through Christ is rooted in an understanding of a just and divine economy.

“The term ‘reconciliation’ (Greek, *katallagee*) originally referred to an exchange of money repayment of debt (we still speak today of ‘reconciling’ a bank statement)... Reconciliation entails economic ramifications for community relationships... Thus Paul calls believers to embrace the ‘ministry of reconciliation’ (5:18),

# CHRISTIAN STUDY GUIDE – SESSION 3

and to become ‘ambassadors’ for Christ (5:20a)... If we wish to ‘cooperate’ with God’s project, warns Paul, we must be prepared to practice this divine economy of grace in our own social life.” (*The Biblical Vision of Sabbath Economics*, page 56).

What do these visions of the world as God intends tell us about our society today?

## Analyze Current Reality

1. The Gospel according to Luke offers two radically different visions of allocation of resources. In the feeding of the five thousand, Jesus took five loaves and two fish, “looked up to heaven, and blessed and broke them, and gave them to the disciples to set before the crowd. And all ate and were filled. What was left over was gathered up, twelve baskets of broken pieces.” (Luke 6:16b-17)

Also, in a parable, Jesus tells us, “There was a rich man who was dressed in purple and fine linen and who feasted sumptuously every day. And at his gate lay a poor man named Lazarus, covered with sores, who longed to satisfy his hunger with what fell from the rich man’s table.” (Luke 16:19-21) Consider these two images to be the end points on a continuum of the distribution of resources.

Loaves & Fishes  $\longleftrightarrow$  The rich man & Lazarus

Using this continuum, where would you place the distribution of the following assets in our country?

- Educational opportunity
  - Affordable housing
  - Health care
  - Access to healthy, affordable food
  - Public transportation
  - Safe neighborhoods
  - Meaningful work with livable wages
2. Review Figure 2.10 in the 2010 Hunger Report (Infant Mortality per 1,000 Live Births), p. 78.
    - Why is infant mortality so high in the United States?
    - What policies might improve this statistic?
    - What relationships between people might be restored by those policies?

## Reflection and Sharing on Restoring Relationship

What assumptions affect how you approach inequalities in your life and in the world? What choices can you make to help mend relationships that are broken? Are there policy suggestions outlined in the Hunger Report that you could support?

## Act

Based on your reflections, how might God be calling you individually or your group to act? Consider inspiring others with your story.

Consider inspiring others with your story. Bread for the World is collecting stories of what individuals and groups are doing to grow the movement to end hunger. Please visit [www.bread.org/hungerreport](http://www.bread.org/hungerreport) and share the action(s) you took.

## Closing Prayer

Almighty God, whose loving hand has given us all that we possess, grant us grace that we may honor you with our being. Help us be mindful of the account we must one day give, that we may be faithful stewards of your bounty, through Jesus Christ, Our Lord. Amen



Rick Reinhard

## Chapter 3: Remaking Marginalized Communities into Gateways of Opportunity

Brittany Thomasson



### Right Relationship – Justice and Righteousness

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Many passages about injustice point out that there is a fundamental breakdown in relationships—between individuals, within society and its structures, between people and creation, and in the way that government leaders respond to the needs and concerns of people. Those passages also point out that even if people are praying, fasting, bringing offerings, and worshiping God, their relationship with God is not right if they allow injustice. Isaiah 58 presents a vision of justice and righteousness and how right (or restored) relationships can look.

Whenever you see the words “justice” or “righteousness” in a Scripture passage, consider the meaning of the passage in terms of the context above.

### Opening Prayer

We thank and praise you gracious God for the gift of community. Open our eyes, Lord, so that we may see the various communities around us. Help us to see within those communities the various good qualities, as well as those that need improvement. Show us how you intend communities to be, and push us to be active change agents, working for restored relationships among all your people, no matter our incomes or work status. Amen.

### The World As God Intends

Read, reflect, and then answer the questions at the end of Scripture passages.

Deuteronomy 15:4-11 (with emphasis on verses 4,5 and 11)

Verses 4 and 5: “There will, however, be no one in need among you....if only you will obey the Lord your God by diligently observing this entire commandment.”

Verse 11: “ Since there will never cease to be some in need on the earth, I therefore command you, ‘Open your hand to the poor and needy neighbor in your land.’ ”

What do we learn from these passages about community as God intends? How should people live in community? Who should be part of the community?

**Context:** God, through Moses, is giving people the laws by which they are to live. Included are the Ten Commandments, but they are all part of a much broader conversation that God is having with the people about how they are to live. The commands fall into one of two categories: 1) Right relationship with God (not worshipping idols, revering and recognizing God as their only God, loving God); and 2) Right relationships among people (care for widows, orphans and immigrants—those considered most vulnerable in society, canceling debts every seven years, freeing debtor slaves, etc).

Matthew 4:18-21 (Calling first disciples); Matthew 10:2-4 (List of Jesus disciples)

Who were the disciples? What do we know about them and the different settings they came from? Note that the community of disciples included a tax collector, a Roman government official. It also included a zealot, a rebel or revolutionary committed to overthrowing the Roman government. Under most circumstances, these two people would be mortal enemies. What does it say that Jesus asked them to be part of the same community?



# CHRISTIAN STUDY GUIDE – SESSION 4

## Analyze Current Reality

Based on the group, do #1 and #2 OR #2 and #3. Time constraints will make it difficult to do all three.

### 1. Local Reality

Divide into small groups or work individually. Draw a “map” representing your community. This need not look like a street map of your city or neighborhood, since it is meant to be a representation of how you see your community. Include the various institutions, services and people you consider part of your community.

What did you include? Who did you include? What gifts and challenges do various people bring to your community? Are there places within your community (or communities nearby) you feel you cannot go? Why or why not? Who would feel welcome in your community? Are there people that your community intentionally or unintentionally works to include or to exclude? Are you included or excluded? How does that occur?

### 2. General Reality—High Poverty Communities

Many anti-poverty programs in our country focus on individuals or their families. However, Chapter 3 of the Hunger Report points out that poverty is about place as much as it is about people. Within high poverty neighborhoods or counties, one problem begets another, and all are interrelated. Underfunded and underperforming schools fail to prepare students for work or higher education. Lack of access to grocery stores means that people shop primarily at convenience stores carrying snacks and drinks with little nutritional value.

How is poverty a failure of “community” in the broad sense of that word?

### 3. Another Reality—Hopeful Communities

Divide again into groups. Each group should take one of the Boxes from the Hunger Report and read it together. [Boxes: a) Seeds of Hope in Perry County, p. 99; b) The Harlem Children’s Zone, p. 102; c) Community Food Security in New Orleans, p. 109.] What is being done to offer hope, create wholeness and build true community? What lessons can we learn from this story to address poverty in other communities? Do these lessons have policy implications?

## Reflection and Sharing on Restoring Relationship

How might your lifestyle choices and activities perpetuate or contribute to concentrated poverty or income-segregated communities? What lifestyle choices or gifts do you bring that contribute to hopeful communities?

What choices can you make to mend broken relationships and strengthen what is right? What can you do to work toward wholeness in communities?



## Act

Based on your reflections, how might God be calling you individually or your group to act? Consider inspiring others with your story.

Consider inspiring others with your story. Bread for the World is collecting stories of what individuals and groups are doing to grow the movement to end hunger. Please visit [www.bread.org/hungerreport](http://www.bread.org/hungerreport) and share the action(s) you took.

## Closing Prayer

How do you believe communities are healed? Consider sharing this with others in your group during this prayer.

**Prayer:** God of right relationships, you have sent your Spirit upon us to bring good news to poor people and communities.

Help us to work faithfully for a vision that...

Help us to work faithfully for a vision that...

Help us to work faithfully for a vision that...

Guide us to seek first your kingdom. Equip us to live out your commands for justice and righteousness, and fill us with love for you and our neighbors. Help us to envision a world in which no one among us is in need. Amen.

## Chapter 4: A Global Agenda for a Just and Sustainable Recovery



### Right Relationship – Justice and Righteousness

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Whenever you see the words “justice” or “righteousness” in a Scripture passage, consider the meaning of the passage in terms of the context above.

### Opening Prayer

As we breathe the very air that sustains us, we remember your love, God, which gives us life. Fill us with your compassion for creation. Breathe into us a spirit of solidarity with all who suffer because of human carelessness and wanton disregard of the earth and our natural resources. Empty us of apathy, selfishness and fear, of all pessimism and hesitation. Move us into action to care for creation. We pray in Jesus’ name. Amen.

### The World as God Intends

Read, reflect, and then answer the question at the end of the passages.

“In the beginning was the Word, and the Word was with God, and the Word was God. He was in the beginning with God. All things came into being through him, and without him not one thing came into being. What has come into being in him was life, and the life was the light of all people.” (John 1:1-4).

“The land shall not be sold in perpetuity, for the land is mine; with me you are but aliens and tenants. Throughout the land that you hold, you shall provide for the redemption of the land.” (Leviticus 25 23-24).

“You are not making a gift of your possessions to the poor person. You are handing over to him what is his. For what has been given in common for the use of all, you have abrogated to yourself. The world is given to all, and not only to the rich.” (The Letters of St. Ambrose)

We are not owners of creation, but stewards, summoned by God to “watch and care” for the earth. (Gen.2:15) Our uses of the earth must conserve and renew rather than deplete or destroy. The Bible teaches us that God is not only redeeming his people, but also restoring the whole creation (Rom. 8:18-23). Just as we show our love for the Savior by reaching out to the lost, we believe that we show our love for the Creator by caring for his creation. *For the Health of the Nations: An Evangelical Call to Civic Responsibility*.

How would you describe the relationship between the Creator, people and the earth?

### Analyze Today's Reality

In Chapter Four of the 2010 Hunger Report, we read that all people on the planet are vulnerable to the overuse, abuse and misuse of the

# CHRISTIAN STUDY GUIDE – SESSION 5

earth's resources. As God's people in the world, we need to recognize that no national borders are marked in the earth's atmosphere, and that interdependence and partnership are the guiding ethical framework for sustaining the environment.

1. Study figure i.4 (Rich Countries Dominate Cumulative Emissions Count) p. 17, in the 2010 Hunger Report. What would you say to countries on the right side of the chart about U.S. carbon use? Now study figure 4.1, p. 124 in the 2010 Hunger Report. Where do you see hope for restored relationship in this illustration?
2. From a global viewpoint, most of us in the United States use the earth's resources lavishly, thereby depriving others of what belongs to everyone. Consider what you can do to reduce your ecological footprint regarding oil, water, land, electricity, energy, etc. Make a list of ten ways you could recycle more or use less water and fuel.

## Reflection and Sharing on Restoring Relationship

What can you do to contribute to a just and sustainable recovery? If you have access to a computer and the internet, you can calculate your ecological footprint by going to [www.myfootprint.org](http://www.myfootprint.org). How can this instrument be used in your parish, with families and other groups to which you belong?

## Act

Based on what you have shared and learned in this session, is there some action to which you feel that God may be calling you individually and as a group?

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## Closing Prayer:

**Leader:** Creator God, we pray:

**Leader:** That our public and private prayer may lead us to a deeper concern for the gift of your creation and those harmed by our lifestyles. We pray to you, Our God.

**Response:** God, hear our prayer.

**Leader:** That we have the courage to honestly assess our own contributions to climate change as a community of faith, within our homes, and through our everyday choices. We pray to you, Our God.

**Response:** God, hear our prayer.

**Leader:** That we take the steps necessary to live more sustainably and more simply as a sign of solidarity with those who suffer the consequences of our lack of respect for your gift of Creation. We pray to you, Our God.

**Response:** God, hear our prayer.

**Leader:** That we do our part so the voices of those who are poor are heard by local, state and national decision makers. May the policies that are designed to address climate change not put additional burdens on the most vulnerable people at home and abroad. We pray to you, Our God.

**Response:** God, hear our prayer.



Margaret W. Nea



## A Letter to President Obama on Ending Child Hunger by 2015



### Right Relationship – Justice and Righteousness

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Whenever you see the words “justice” or “righteousness” in a Scripture passage, consider the meaning of the passage in terms of the context above.

### Opening Prayer

Gracious God, you have blessed us with the joy and responsibility for the care of children. Help us to offer them support and provide true community, where they may all grow into the fullness of our hopes for them. Amen.

### The World As God Intends

Read, reflect, and then answer the questions at the end of the Scripture passages.

Mark 10: 13-16 (also Matthew 19:13-15 and Luke 18:15-17)

What do we learn from these passages about how God values children?

In all three Gospels, Jesus speaks of children: “...for it is to such as these” to whom the kingdom belongs. In many other passages, working toward the kingdom of God emphasizes the relationships with God, among people and in creation. What does hunger and poverty among children mean for people who work for the “Kingdom of God?” What needs to happen for children, or may already be happening, for right relationships to flourish within society and with God?

Deuteronomy 24: 17-22; James 1:27

People, communities and government leaders are constantly admonished throughout the Old and New Testaments to care for the widows, orphans and strangers/aliens (immigrants). These were the most vulnerable groups in those societies, and God makes it clear that we all have a responsibility to the most vulnerable. How do children in our society become vulnerable to hunger and poverty? If children are disregarded or not well cared for by society, what does that say about relationships within that society? How should we be admonishing ourselves and others, including our leaders, to care for the most vulnerable?

### Analyze Current Reality

1. On newsprint, start a chart of three columns. In the left-hand column, list the various issues we’ve been covering in these sessions, which demonstrate the broken relationships in our society that lead to poverty (low wages, substandard schools, no grocery stores in communities of concentrated poverty, etc.). In the middle column, list ways that children are affected by each item, in the short term and over the long term. In the right-hand column, list examples you know of that demonstrate restored relation-

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ships, overcoming the broken relationships and those effects from the first two columns. Share stories that you know (through your own experience or through things you've read or heard through the media) which convey the effects of broken relationships on children, or which bear witness to what can go right for communities and societies when children thrive.

2. If you were to write to President Obama or members of Congress, giving them a list of things you think they should do to address the needs of children living in poverty and hunger in the United States, what would you include? Put this list on newsprint. When you have finished, compare your list to what Rev. James McDonald wrote to President Obama.

## Reflection and Sharing on Restoring Relationship

We pray for the well-being of the children in our own lives. But how often do we think about the well-being of all children? What do we need to do to ensure that all children are well cared for?

## Act

Based on your reflections, how might God be calling you individually or your group to act? Consider inspiring others with your story.

Consider inspiring others with your story. Bread for the World is collecting stories of what individuals and groups are doing to grow the movement to end hunger. Please visit [www.bread.org/hungerreport](http://www.bread.org/hungerreport) and share the action(s) you took.

## Closing Prayer

Lord Jesus, you welcomed the children and announced that they have a special place in the Kingdom of God. Lead and guide our actions so that no child must grow up in hunger or poverty. Help us to remember that when all children thrive, so do their families and communities. Amen.



Margaret W. Nea