



# Crossing Divides

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**New Common Ground on  
Poverty and Economic Security**

Dēmos

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**Tammy Draut**  
Director, Economic Opportunity Program, Dēmos

**David Callahan**  
Director of Research, Dēmos

**Corinna Hawkes**  
Public Policy Consultant

**Dēmos**

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# Acknowledgments

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The authors wish to thank the following people for their assistance:

Professor Mark C. Gordon, Dean, University of Detroit, Mercy School of Law

Ed Lazere, Center on Budget and Policy Priorities

Josh Silver, National Community Reinvestment Coalition

Sarah Tobias, Dēmos

Heather Tyler, Corporation for Enterprise Development

Dēmos would like to thank the Annie E. Casey Foundation for funding the outreach and dissemination of this report.

The views expressed in this report do not necessarily reflect the views of the Dēmos Board of Trustees.

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155 Avenue of the Americas, 4th Floor

New York, NY 10013

212.633.1405 (phone)

212.633.2015 (fax)

[www.demos-usa.org](http://www.demos-usa.org)

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# Preface

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At the beginning of the 21st century, there is no problem in our society more troubling than the vast disparities in economic well-being that exist among Americans. Poverty and severe economic insecurity endured through the boom of the late 1990s, and bold, unified national action to remedy this situation remains elusive. Today, leaders of both political parties express a commitment to increasing economic opportunity and reducing poverty. But the approaches they put forth for achieving these goals often differ dramatically, as the recent debate over welfare reauthorization has shown.

Can these differences and deadlocks in our politics be overcome? Is it not possible for America's elected leaders to find greater common ground on issues of economic security and embark upon major new efforts to build a more equitable society? This report answers a cautious "yes" to these questions.

The report analyzes four public policies that have been developed or expanded over the past decade: the Earned Income Tax Credit, Individual Development Accounts, the State Children's Health Insurance Program, and Empowerment Zones. The report places development of these policies within the context of shifts in values and in how debates over economic security are framed. The report draws upon an extensive review of federal and state legislative records, newspaper accounts, and the publications of public policy organizations. In addition, the authors corresponded with numerous scholars and policy analysts whose views represent both sides of the political divide.

The central conclusion of the report is that areas of new common ground have emerged across ideological divides among elected leaders and public policy thinkers, and that this common ground has the potential to be deepened—opening the way for major new efforts to increase economic opportunity and reduce poverty in the coming years.

This study is the second report released by Dēmos that explores areas of common ground over poverty, inequality, and public policy. The first report, *New Opportunities*, was released in January 2002 and examined public opinion in this area, analyzing dozens of polls conducted between 1996 and 2001. Like this report, *New Opportunities* highlighted promising areas of consensus—while identifying enduring disagreements and tensions in public opinion. Both studies were undertaken as part of Dēmos's ongoing efforts to focus new public and political attention on the challenge of closing America's prosperity gap. Dēmos's other major area of work, democracy reform, reflects our view that addressing this and other urgent national problems requires broader participation by all Americans.



Miles Rapoport  
President, Dēmos





# Executive Summary

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Major ideological divisions endure in public policy debates over poverty and economic security. The last decade has seen fierce battles over welfare, health care, Social Security and Medicare, taxes, and other issues critical to the lives of low-income families and individuals. However, a growing convergence of views between liberals and conservatives in key areas—such as the importance of work and personal responsibility, the need to help working families, and the need to help communities and individuals build wealth—suggests the potential for a new political consensus in coming years.

## Growing Agreement on Values and Goals

Over the last decade, Republicans and Democrats have come together in efforts to increase the economic well-being of low-income Americans in four notable areas:

- **Making Work Pay** through legislation to expand the Earned Income Tax Credit. Legislation supported by President Bush in 1990 and President Clinton in 1993 transformed the EITC into one of the most effective government programs that helps low-income families. Sixteen states have also enacted EITCs, often with strong bipartisan support.
- **Building Wealth and Assets** through the creation of Individual Development Accounts (IDAs). IDAs have been embraced by both parties at the national and state level as an effective way to help low-income individuals acquire assets.
- **Helping Working Families** by extending healthcare coverage to low-income children. The passage of the State Children's Health Insurance Program in 1997 with bipartisan support represented the most significant extension of government health insurance since the creation of Medicare.

- **Community Development**, through the creation of Empowerment Zones. Empowerment Zones have helped to direct billions of dollars in government tax breaks and financing to impoverished neighborhoods.

## A Changing National Debate

Since the mid-1990s, several important factors have helped to shift the terrain of public policy debates over poverty and economic security, including:

- **Welfare Reform.** Welfare reform has elevated the role of work yet illuminated the hidden costs of work faced by all families, and has spotlighted the problems of the low-wage labor market.
- **Changes in the Economy.** High growth and job creation make it easier for people to find work, but there is growing economic insecurity among more and more Americans.
- **Shifts in Public Opinion.** The public continues to stress personal responsibility but shows growing levels of support for policies to assist low-income working individuals and families.
- **Policy Innovation.** New strategies have been developed for building economic security aimed at increasing wages for low-skilled workers, building wealth and assets, and providing supports for working families.

## Prospects for a New Consensus

A new political consensus around poverty and economic security may now be in sight—a consensus that would enable a fresh, comprehensive effort to create a more equitable economy and strengthen the social safety net. In the short term, areas of emerging consensus are most likely to be manifested through a growing tempo of incremental gains in expanding those public policies to help low-income people that now enjoy some bipartisan support. The most promising areas for progress include:

- **Income and Wages.** Growing political agreement over the need to increase the prospects of low-income workers presents advocates with a range of opportunities to expand federal and state EITCs and to achieve both minimum wage increases and the passage of “living wage” ordinances. Efforts to build skills and job opportunities enjoy especially high levels of bipartisan support.
- **Health Care and Child Care.** Increasing agreement about the need to ensure that low-income working parents are able to work opens up major new opportunities to advance proposals for greater subsidized childcare, as well as expanding health care for all low-income adults.
- **Wealth-Building Policies.** The considerable success of pilot IDA programs in galvanizing bipartisan support at the national and state level suggests the potential to greatly expand these programs in the coming years. Also, the growing strength of the community economic development movement, and the bipartisan enthusiasm this work often attracts, suggests the potential to scale up various efforts aimed at building the wealth of low-income communities.

# Introduction

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## Emerging Common Ground

During the 20th century, many policies aimed at reducing poverty and building economic security were enacted or expanded during periods of broad political consensus about how to foster greater equity. Since the early 1980s, however, issues of poverty and economic opportunity have been among the most divisive areas of American politics. The first year of the George W. Bush administration saw these divisions flare up in polarized debates about taxes, Medicare, Social Security, the economic stimulus package, and a range of social programs. In early 2002, congressional debate over the reauthorization of the 1996 welfare law revealed these partisan tensions, with the Bush administration emphasizing stricter work requirements and efforts to promote marriage, and many Democrats stressing new investments in child care and job training to help move people out of poverty.

Meanwhile, the challenges faced by low-income Americans remain great: Nearly 50 million Americans live below 125 percent of the poverty line; a third of families have zero or negative assets; and tens of millions of working parents lack key supports like affordable child care and health care. African-Americans and Latinos are especially likely to be living in poverty or barely getting by on the lower rungs of the middle class. For the many Americans who did not share in the prosperity of the '90s, political deadlocks in Washington and in state capitals have had profoundly harmful consequences.

The United States has succeeded in the past at making major strides toward expanding economic opportunity and improving well-being for everyone. Renewing this progress will now require a higher level of political consensus about how to address the problems of America's prosperity gap. To be enacted in legislation—and to be fully implemented in good faith over ensuing years and decades—policy initiatives to broaden economic security require strong bipartisan backing. While short-term partisan advantages can get policies enacted, long-term political consensus is required if policies are to succeed. For advocates trying to promote greater equity, a central challenge is to

## After a long domestic cold war, liberals and conservatives have begun to find some common ground on values related to economic equity and social policy.

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develop or expand policies that resonate with value systems on both sides of the political divide. A related challenge is to discuss these policies in ways that capture the support of a public that is divided over such questions as the causes of poverty, the extent of opportunity that exists in the United States, and the role of government in addressing economic inequities.

This report explores the nature of common ground around public policy aimed at improving the economic well-being of low-income individuals and families. While highlighting the significant differences in values and approach that exist in the political arena, the report suggests that there has been more convergence of perspectives than many people realize. During the last decade, Republicans and Democrats have come together to enact or expand several historic efforts to enhance economic well-being, including:

- **The Earned Income Tax Credit (EITC).** Increases in the Earned Income Tax Credit—which rewards work by giving tax credits to low-income income families—by President Bush in 1990 and President Clinton in 1993 transformed it into the single most effective government program that helps working poor families. Sixteen states have also enacted EITCs, often with strong bipartisan support.
- **Individual Development Accounts (IDAs).** Since 1990, IDAs—which are special matched savings accounts—have gone from a scholarly idea to being a significant new pilot program embraced by both parties at both the national and state level. IDAs are helping thousands of low-income individuals acquire assets.
- **The State Children’s Health Insurance Program (SCHIP).** The passage of SCHIP in 1997 with bipartisan support represented the most significant extension of government health insurance since the creation of Medicare and Medicaid. More than 2.5 million low-income children are enrolled in SCHIP.

- **Empowerment Zones.** The 1990s saw bipartisan support for the creation of Empowerment Zones that leveraged several billion dollars in government tax breaks and financing with the goal of aiding impoverished neighborhoods.

These advances in public policy have not gone nearly as far as some have hoped. These and many other effective measures to increase economic well-being and opportunity for lower-income Americans have often not been implemented at the scale needed to make a real difference.

Still, the developments in public policy that this report examines are significant. Recent bipartisan backing for policies to support low-income working families and build wealth among poor individuals and communities hints at a potential new political consensus. During the last few years, after a long domestic cold war, liberals and conservatives have begun to find some new common ground on values related to economic equity and social policy. Liberals are now more likely to stress traditional conservative themes like the importance of work, entrepreneurship, and personal responsibility; conservatives are invoking liberal ideas such as the need to make work pay and to help poor families and communities build wealth and assets. Today, it is possible to talk about a new debate in America about poverty and economic security—one that is very different from debates of the past quarter century.

### Old Problems, a New Debate

America’s debate over poverty and economic security is fluid. The debate has been evolving and shifting since 1996, when President Clinton signed the welfare reform bill into law. Indeed, at any given point in time, it is not easy to fully understand and capture the ways that this debate is being framed and structured within national and local political arenas. The conventional wisdom holds that the political center on issues of poverty and public policy has moved sharply to the right over the past decade. While that analysis largely captures reality, this report suggests a more complex picture.

## Welfare reform has blurred the old distinctions between the “welfare poor” and the “working poor.”

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Instead of a uniform shift in one ideological direction, it is possible to see the terms of political discourse as shifting into new terrain altogether and confounding the polarized frameworks of past debates.

To be sure, conservatives have scored historic victories in recent years. These include eliminating the federal welfare entitlement; devolving significant social policy responsibilities to the states; introducing partial privatization of Social Security into the mainstream political discourse; blocking President Clinton’s national health insurance plan; and reducing in real terms the growth of many federal and state programs aimed at helping low-income families. But these much-publicized victories—often won with support of moderate Democrats—are not the entire story. Since the mid-1990s, the context for public debates about the problems of poverty and economic security have shifted in other directions due to the impact of welfare reform, changes in the economy, shifts in public opinion, and policy innovation at the national and local level.

### The Impact of Welfare Reform

The implementation of welfare reform has dramatically changed the terrain of debates over public policy affecting low-income people. On the one hand, a major consequence of welfare reform has been to seal the political victory of those who long emphasized the necessity for work among recipients of public assistance. Today, political leaders who do not accept this axiom are effectively marginalized from the mainstream terms of debate. On the other hand, the transformation of welfare to a work-based system has helped illuminate the hidden costs of work faced by all families and has spotlighted the problems of the low-wage labor market: the lack of good jobs that help workers escape poverty; inadequate health care and child care for low-income workers; few opportunities for advancement; and pockets of high unemployment. As a result, the political and public dialogue has shifted away from welfare and dependency and toward enabling work and “making work pay.” In this way, welfare reform has blurred the old dis-

tinctions between the “welfare poor” and the “working poor”—making it potentially easier to garner political support to help all low-income individuals and families.

### Changes in the Economy

A second factor altering public policy debates is the continued restructuring of the U.S. economy. The last decade has brought enormous economic prosperity, but also continued stagnation of incomes for many households and an accelerated trend toward greater economic insecurity for more and more Americans. Low overall levels of unemployment helped to solidify the idea that everyone should be working, but much job growth has been in sectors with poor pay and few benefits. Contingent work and independent contracting arrangements have also become far more common, introducing greater insecurity even among skilled workers. Increasingly, the perennial challenges faced by low-income households, such as the lack of affordable health care, child care, and housing, are also being experienced by households in higher-income brackets. The problems of a growing number of working families across income brackets worsened even as the New Economy delivered dramatic income gains and massive wealth accumulation to households at the very top of the economic ladder.

### Shifting Public Opinion

Changes in social policy and the economy are reflected in shifts in public opinion about economic security issues. While Americans have always supported work as a cornerstone of social policy efforts, they are increasingly recognizing in the post-welfare reform environment that personal responsibility can go only so far in reducing poverty, and there is a high level of public support for policies to assist low-income working individuals and families (see table below). Surveys also show that the uneven effect of the economic boom of the late 1990s made many Americans feel left behind. Currently more than one-third of Americans view themselves as a “have-not”—compared to just 17 percent in 1988. Two-thirds of the public believes

## There is a growing level of public support for policies to assist low-income working individuals and families.

that something needs to be done about the income gap between the wealthy and other Americans.<sup>1</sup> Another finding of opinion surveys is that Americans increasingly want their political leaders to find pragmatic, nonideological solutions to public policy challenges.

### Public Support for Key Policies

	% Support	% Oppose
Increasing the minimum wage	85	14
Increasing tax credits for low-income workers	80	17
Increasing cash assistance for families	54	40
Expanding subsidized day care	85	12
Spending more for medical care for poor people	83	14
Spending more for housing for poor people	75	23
Making food stamps more available to poor people	61	35
Guaranteeing everyone a minimum income	57	39

*Percentages do not add up to 100 because “don’t know” responses are not shown. Source: Kaiser Family Foundation/Harvard University/NPR, 2001.*

### Policy Innovation

A final factor reshaping political debates over poverty is significant policy innovation at the national, state, and local level. The last decade has been a period of enormous experimental activity and innovation in public policy aimed at enhancing economic well-being and opportunity for low-income Americans. Important developments in the 1990s include the growth of a large and varied community economic development movement that has developed a range of ways to build affordable housing, support local business and enterprise, and increase financial literacy. There has also been the rise of a sophisticated asset-building movement that has successfully promoted Individual Development Accounts and is putting forth a range of related proposals. Meanwhile, new strategies have been developed for increasing the skills, job opportunities, and wages of low-income workers, both through job training and by strengthening certain sectors of local economies. Finally, there has been the development of various fresh

ideas, often pioneered at the state level, to provide affordable health care and child care to working families.

Most of these new ideas and approaches have not come close to realizing their potential—largely because of a lack of political will. Significantly, however, much of the policy innovation has emphasized approaches and values that take into account common past objections to anti-poverty programs. Many of the newer strategies for building economic well-being stress the importance of work, savings, and wealth rather than legal entitlements; emphasize the need for flexible and nonbureaucratic administration, as well as local control and empowerment; and seek to stretch the resources of government through partnerships between public, private, and nonprofit entities.

At its core, America’s changing debate over economic well-being and opportunity reflects more than shifts in public opinion or discussion over particular policies. It also reflects shifts in the values of the elected officials, public policy thinkers, and community leaders who frame this debate. The following discussion explores growing consensus and enduring conflict over values within public policy discussions affecting low-income Americans.

### Greater Consensus on Values?

Public policy debates over poverty and economic opportunity are not technocratic exercises. They are deeply emotional debates that reflect the value systems of participants and our society at large. During the New Deal and Great Society eras, these debates were largely framed by a values-based story about fairness, compassion, and faith in collective solutions that generated wide agreement among both the public and political leaders. During the 1930s, widespread economic insecurity across American society produced high levels of support for a policy agenda that translated these values into universal social programs. During the 1960s, at the peak of U.S. industrial capitalism, unprecedented prosperity and high economic security for many Americans allowed these values to be translated more expansively in the public arena, through a political narrative and policy agenda that emphasized the strengthening of social programs and the extending

## The old and divisive debate over poverty—a debate that extended roughly from the early 1970s to the mid-1990s—can be viewed as decisively over.

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of opportunity to marginalized groups. The dominance of this story helped account for major legislative victories in enacting or strengthening a wide panoply of anti-poverty programs up through the 1960s and early 1970s.

In the 1970s, 1980s, and early 1990s, however, changes in America's economy and social fabric helped give rise to a far more divisive debate over poverty and opportunity. Growing economic insecurity, as well as racial polarization and greater distrust of government, helped transform social policy into an arena where different value systems competed against each other more fiercely. Today, many of these divisions still endure, but the shifts in public policy, the economy, and public opinion discussed above are once more changing the values terrain of the poverty debate—with signs visible of more common ground on core values.

### The Clash of Values

During the major debates over poverty and economic insecurity in the 1980s and 1990s, liberals and conservatives were deeply divided in the core values that they articulated when discussing these problems and proposing public policy solutions. Even as this clash of values has lessened, starkly different worldviews continue to frame debates.

The core liberal worldview has typically included the following key elements:

- The fruits of growth and prosperity should be shared as equitably as possible across society. Government intervention, along with labor unions and employer responsibility, are imperative to ensuring shared prosperity, as well as guaranteeing people's basic needs and well-being.
- Poverty and low socioeconomic status are generally the result of systemic economic and social conditions (especially racial discrimination) that produce unequal opportunity and trap people in unfavorable circumstances.
- Work doesn't pay adequately for low-skilled individuals and is particularly difficult for working parents with children, who need a range of supports to be able to work.
- Ambitious solutions to poverty and unequal opportunity are affordable given the wealth of American society.

The conservative worldview has typically held that:

- The American Dream is alive and well. Wealth and economic resources are appropriately allocated in our free-market system, which provides plenty of opportunity to anyone willing to work hard.
- Individuals are chiefly responsible for their own advancement. Personal irresponsibility and the collapse of traditional values are the chief causes of poverty.
- Too much government benevolence discourages hard work, produces dependency, and saps the will of individuals to improve their economic situation.
- An expensive social welfare state, as well as other redistributive and regulatory policies, imposes tax burdens that undermine wealth creation in America, and results in less economic opportunity for everyone, including low-income people.

Today, neither liberals nor conservatives have abandoned longstanding worldviews that often suggest very different approaches to the problem of poverty and unequal opportunity.<sup>2</sup> However, ideological leaders on both sides of America's political divide have ceded some ground on values that may pave the way for broader agreement. *More importantly, certain policy solutions that are consistent with both worldviews are becoming more central to public policy debates over poverty and economic opportunity.* Below, we provide a closer look at shifts in two main areas of agreement and disagreement on core values or issues related to poverty.

### Work and Personal Responsibility

The 1990s saw a considerable shift in how issues of work and personal responsibility factor into public policy debates over poverty. These debates continue to reflect polarized core beliefs about the causes of poverty, with conservatives stressing a lack of personal responsibility among those who are poor and liberals stressing systemic causes, especially problems in the labor market. Conservatives and liberals disagree about the availability of well paying jobs, the length of time that the working poor remain poor, and the work requirements

## There has been significant movement in ideological positioning around values related to work and personal responsibility.

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that are realistic for those on welfare. Conservatives often see low-wage jobs as a stepping-stone to the American Dream, while liberals often see them as a permanent dead end and decry reduced economic mobility in U.S. society. There is also strong disagreement about measures aimed at increasing the value of work, such as minimum wage hikes and living wage ordinances.

Furthermore, national and state public policy debates are often marked by polarized views about the generosity of government programs aimed at enabling work by subsidizing child care, health care, and transportation for low-income people. Liberals typically argue that it is hypocritical to insist upon work without addressing the high costs that these demands impose. For example, in response to President Bush's proposals in early 2002 for welfare reform, which emphasized stricter work requirements, Children's Defense Fund president Marian Wright Edelman commented: "The president requires more hours of work, but not one dime more for child care. . . . Right now only one in seven children eligible for federal childcare assistance gets it."<sup>3</sup> Conservatives, meanwhile, often argue against expensive work support systems on fiscal grounds, and also challenge the competence of government to implement them.

Still, there has been significant movement in ideological positioning around values related to work and personal responsibility.

- There is growing acceptance by conservatives of the idea that families of working parents should not live below the federal poverty line. This was demonstrated during the 1990s by Republican support in Congress for a major increase in the federal tax expenditures on the EITC program, as well as by Republican support in many states for EITCs. Although some conservatives now wish to roll back recent EITC gains or oppose further expansion, others support more federal investment in this program. "I'd support expansion of EITCs for married couples," prominent conservative thinker Marvin Olasky has said.<sup>4</sup>
- Many liberals no longer contest the argument that work should be expected of nearly all welfare recipients, including mothers with small children. Long-time liberal policy analyst Isabel Sawhill, writing with Adam Thomas in a May 2001 paper, commented: "We would suggest that any policy that has as its long-term objective the reduction of poverty ought to focus on supporting work. This is not only the most effective means of reducing poverty; it is also consistent with public expectations and values."<sup>5</sup>
- Long-term liberal concerns about access to affordable health care and child care have increasingly also been echoed by many Republicans, who acknowledge the need for these supports in order to ensure that people can work. Legislation for children's health insurance emerged from a Republican Congress in 1997, and nearly all Republican leaders and conservative think tanks stress the need to find better ways to provide affordable health insurance to working families and individuals—although most emphasize free-market mechanisms to accomplish this objective. These same leaders and organizations also increasingly address childcare issues.
- A community-based fatherhood movement has sprung up in recent years, with progressive African-American religious leaders and others placing a new emphasis on personal responsibility among young men—an issue that used to be emphasized almost exclusively by conservatives. For example, the African American Male Empowerment Summit, a series of events through 2001, was convened for "celebrating African American fatherhood through mentoring, business, family and community development." Speakers included Cornel West, the Reverend Al Sharpton, and the Reverend Jesse Jackson.<sup>6</sup>
- Some conservatives support heavier government spending to ensure that welfare reform actually advances the principle of helping people achieve economic independence. "I think there is already good consensus on expanding help for the working poor," said Dr. Amy L. Sherman of



## The idea of giving people special assistance to build wealth reflects the values of fairness, equal opportunity, and collective responses to economic inequity.

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the conservative Hudson Institute. “There needs to be discussion on ‘unfinished business of welfare reform.’ Conservatives need to be less interested in ‘welfare savings’ and more ready to spend ‘saved’ funds from welfare reform on aid to the working poor and on intensive aid to the bottom 20 percent of super hard cases.”<sup>7</sup> This view was reflected in the strong bipartisan agreement within the National Governor’s Association during the 2002 debate over TANF reauthorization that federal spending on TANF funds not be decreased despite the major reduction in welfare caseloads on the grounds that states need this extra money to ensure that former welfare recipients succeed and advance in the workplace.<sup>8</sup>

### The Importance of Wealth and Assets

Perhaps the biggest shift of recent years has been a greater agreement among liberals and conservatives on the need to help individuals accumulate assets. While an overall emphasis on building wealth reflects the values of personal responsibility and planning for the future, the idea of giving people special assistance to do so reflects the values of fairness, equal opportunity, and collective responses to economic inequity. The notion of wealth building is central to the American Dream ethos of economic opportunity, and particularly to the idea of intergenerational advancement. Yet during the debates over poverty from the 1960s through the mid-1990s, issues of wealth and savings received comparatively little attention. Instead, these debates focused heavily on income support and various other forms of government assistance for low-income Americans.

To the degree that discussions over wealth accumulation took place in the old poverty debates, they tended to reflect significant polarization of core views. Liberals emphasized how lack of income prevented people from saving and pointed to the legacy of “redlining” and a historic pattern of locking communities of color out of opportunities to build wealth through government programs that subsidized home

ownership. Conservatives stressed personal responsibility, thrift, and hard work as the key to savings and asset accumulation—often invoking the experience of various immigrant groups to bolster their arguments.

While these basic differences in viewpoints endure, the current debate over wealth has moved far beyond this limited and polarized conversation. Not only are there hopeful signs of growing agreement on issues of wealth, but the fact that wealth issues loom far larger in today’s debate over poverty than previous debates is itself significant.

- Liberal policy thinkers, scholars, foundations, and think tanks have given significant new attention to issues of wealth accumulation and asset ownership over the past decade. Important developments in the asset-building movement include the publication of Michael Sherraden’s book *Assets and the Poor* in 1990, the publication of *Black Wealth/White Wealth* by Melvin Oliver and Thomas Shapiro in 1995, and the decision by the Ford Foundation to make asset building a central strategy in its work to reduce poverty.
- In backing IDAs, some conservatives agree that a lack of assets is major perpetuator of poverty and inequality, and often one that is passed down over generations. George W. Bush endorsed IDAs in his election campaign, stating that “the great promise of our time is to fight poverty by building the wealth of the poor. A home to anchor their family. A bank account to create confidence.”
- Helping low-income individuals and communities accumulate assets through home ownership, local business development, and various “self help” strategies is a key goal of the community-building movement. The progressive organization Policylink, for example, emphasizes the need for residents of low-income communities “to become owners in the development process—to be stock-

holders, not just stakeholders in local economic activity.”<sup>9</sup> In addition, there has been significant bipartisan support for policies aimed at encouraging capital to flow into poor neighborhoods, such as Empowerment Zones.

- There has been growing agreement across partisan lines about the need to eliminate longstanding rules that stop low-income families with assets over certain levels from receiving public assistance.

## Why Common Ground Matters

Understanding the present and future potential areas of consensus around issues of poverty and economic well-being is critical to identifying the opportunities that exist in the early 21st century to improve the economic position of tens of millions of low-income Americans. Big things are most likely to happen in American public policy during periods of broad consensus. Indeed, the history of economic and social policy over the past century suggests that the outcomes of electoral battles can be less decisive than the outcomes of battles around ideas and values.

### Consensus and Policy Change

In the first two decades of the 20th century, various Progressive Era reforms came about less because of particular electoral developments than because of the rise of a new political consensus about the need for more active government to counterbalance the power of private interests and soften the harsh edges of industrial capitalism. Organized labor and other elements of the political left played a major role in bringing about this shift—but so too did leading businessmen, as well as mainstream media outlets and a range of member-based citizen groups and research organizations that saw themselves as nonideological and nonpartisan.<sup>10</sup> During the New Deal, widespread economic insecurity helped broaden and deepen the consensus in favor of active government and strong social programs.

Likewise, the prosperous Great Society era saw substantial consensus in many sectors of American society about the need for energetic efforts to help poor Americans. The

depth and scope of this consensus is evident by the fact that top officials in the Nixon Administration and many leading Republicans in Congress were deeply committed to furthering and expanding various aspects of the Great Society. It was President Nixon, for example, who first proposed the idea of a guaranteed family income.

A very different kind of consensus helped abolish the federal welfare entitlement in 1996. While the Republican takeover of Congress in 1994 ostensibly made possible the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), conservative Republicans hardly had a monopoly on attacking welfare. Many moderates of both political parties, including President Bill Clinton, also attacked welfare and wanted to fundamentally overhaul the system—a position that won overwhelming support among the general public. The Republican electoral victory in 1994 ensured that welfare reform had a harsher edge than might otherwise have been the case, but PRWORA is more rightly viewed as a reflection of a political and public consensus that was nearly two decades in the making.

### A New Consensus?

In considering the potential for a new era of common ground on poverty policy and fresh progress toward improving the lives of low-income Americans, it is easy to see the glass as either half full or half empty. A half-full analysis suggests that the various shifts discussed above have laid a foundation for much wider political agreement on how to build economic security. In particular, growing economic insecurity among more Americans—combined with a prosperity that lavishly rewards the “haves”—can be seen as drawing more broad-based attention to the need to correct for market failures in areas such as wages, health care, child care, and housing. The old and divisive debate over poverty—one that extended roughly from the early 1970s to the mid-1990s—can be viewed as decisively over. The frames of that debate, which centered on the “undeserving poor” and on government programs that backfired, can be seen as having decreasing traction in current public policy debates. In the half-full analysis, the stage is set for a range of more successful advocacy efforts that will result in a new generation

## Today no grand story dominates national discussions about poverty. This gives advocates a major opportunity to seize the advantage.

of federal, state, and local commitments to helping both low- and middle-income Americans share more broadly in this nation's economic prosperity.

The half-empty analysis suggests a bleaker picture. It emphasizes the continued disagreements within political circles over major entitlement programs like Social Security, Medicare, and unemployment insurance. It stresses the enduring division over what kinds of support low-income people deserve and what should be expected of them in return—divisions showcased by the 2002 Congressional debate over reauthorization of PRWORA. It stresses the ways that widespread economic insecurity can just as easily inflame social divisions and undermine trust in collective solutions as lead to new kinds of broad-based responses to inequity. And, perhaps most trenchantly, the half-empty analysis focuses on the political deadlock on issues of taxes and spending. Effective economic security programs that command a bipartisan following are of little use if there is no broader agreement on making the resources available to bring these programs to scale.

The thrust of this report is that the glass is *half full*. The public policy developments examined in the pages that follow show that serious bipartisan efforts were made to help low-income Americans during the 1990s. Each policy examined tapped into a core value of both liberals and conservatives, enabling bipartisan support. Progress regarding each policy can be seen as indicative of the potential for a broader and deeper consensus on poverty in the years to come. Still, as the case studies that follow will illustrate, bipartisan agreement has often been quite tenuous, especially when proposals are made to expand anti-poverty policies in ways that cost more money. The cases also illustrate that bipartisanship has frequently been the result of political horse trading, rather than reflecting a lasting convergence of views.

### Implications for Advocacy

Regardless of whether one sees the glass as half empty or half full, knowing which public policies command a stronger bipartisan following can help shape the near-term and long-term agendas of advocates and policymakers. In the near-

term, those committed to helping low-income Americans can use this information to determine where they are most likely to score victories and make fresh progress. More specifically, the nature of consensus and conflict in today's debate over economic security suggests that the "easier" victories for advocates lay in seeking incremental gains in three areas: income and wage supplements to help working individuals and families; healthcare and childcare subsidies focused on working families; and further development of asset-building policies. The conclusion of this report discusses the implications for advocacy in more depth.

Beyond helping advocates shape their near-term agenda, an understanding of real and potential areas of consensus is critical for longer term success. Such an understanding can help advocates formulate an overarching values-based story in which to frame major new efforts to help expand economic security and opportunity in the early 21st century. While public policy victories are often won issue by issue, greater success comes to those movements in American politics that effectively link together a range of issues within a grand story that can be easily understood by average people.

Today, no grand story dominates national discussions over poverty, and this gives advocates a major opportunity to seize the advantage. The ambiguous economic conditions of recent years—tremendous prosperity yet growing insecurity for more and more Americans—makes it particularly important to forge clearer links between different policy ideas and also invest in quality "message" work. Clearly, though, any new and successful grand story that generates support for more aggressive efforts to promote equity must be carefully formulated to resonate strongly with the values of a majority of Americans. While many advocates emerged from the 1990s feeling discouraged, analysis of developments around EITC, IDAs, SCHIP, and EZs suggest that a new and powerful grand story about building economic security may be closer at hand than many realize.



# Making Work Pay

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## The Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a refundable credit administered by the IRS. Originally set up as a small program to remove regressive income and Social Security taxes for low-wage workers, the federal EITC was expanded dramatically in the 1990s and is now claimed by nearly 20 million families and individuals.<sup>11</sup> It is paid as a tax refund, even if the worker has earned too little to pay tax. In order to receive a check from the IRS, beneficiaries must file a tax return. In 2001, families with any earnings up to \$32,000 were eligible for some amount of credit, with a maximum credit available of \$4,000.

### The EITC's Bipartisan Past

The EITC has had a long tradition of bipartisan support. It has ardent supporters in both political parties and is seen as one of the nation's most successful antipoverty programs. What accounts for the EITC's success and popularity? Christopher Howard, who has written extensively on the EITC, commented that the key factor is "its consistency with basic American values."<sup>12</sup> The EITC uses the tax system to encourage people to find employment, thus reinforcing the work ethic, at the same time reducing the welfare rolls—without creating a new welfare program. The EITC is thus antipoverty, a traditionally Democratic concern, and also pro-work, therefore conforming to the Republican ideology now attractive to many Democrats.<sup>13</sup>

The EITC has a long and complex history.<sup>14</sup> Originating from the Negative Income Credit (NIC) proposed by conservative economist Milton Friedman in 1962, the idea initially gained acceptance among conservatives as a way to keep people off welfare. A conservative Democrat, Senator Russell Long, was the major legislative force behind the first EITC.<sup>15</sup> He argued that the working—and "deserving"—poor should be rewarded, whereas the nonworking but "able" poor should lose entitlement benefits. Though liberal thinkers were unenthusiastic about the effectiveness and scope of the EITC, conserva-

## The EITC has had a long tradition of bipartisan support.

tives agreed with Long. Viewed primarily as a form of tax relief, they believed that it would encourage work and keep the welfare rolls in check. The EITC was thus touted as an alternative to welfare, rather than as a way to guarantee a minimum income. Significantly, too, its impact was framed as a loss of tax receipts, rather than a gain in spending—a good way to avoid partisan battles over budgetary allocations. Following heavy lobbying by Long, the Senate Finance Committee Chairman, the EITC was enacted in 1975 during the Ford Administration.

As a small, inexpensive program, the EITC was initially very modest in its coverage. In 1977, President Carter included EITC expansion in his welfare reform bill. Though the bill as a whole failed, the EITC was generally popular in Washington, and it was made a permanent provision in the Internal Revenue Code in 1978. Between 1979 and 1985, minor changes were made to the EITC. However, declaring the program “the best antipoverty, the best pro-family, the best job creation measure to come out of Congress,” President Ronald Reagan substantially expanded the program with bipartisan support in 1986.<sup>16</sup> Liberals thought the program was now big enough to reduce the tax burden and increase income for the poor. Conservatives continued to like its pro-



**President Ronald Reagan called the EITC “the best antipoverty, the best pro-family, the best job-creation measure to come out of Congress.”**

family and pro-work elements (although conservative analysts suggest that Republican support for this expansion was in return for a top-rate tax cut).<sup>17</sup> EITC was subsequently expanded in 1990 in Bush’s Omnibus Budget Reconciliation Act (OBRA), and again in Clinton’s 1993 OBRA.

For both Presidents George Bush and Bill Clinton, the EITC resonated with a general philosophy of empowerment.<sup>18</sup> Jack

Kemp, Secretary of Housing and Urban Development (HUD) under George Bush, stated that it was “essential to expand the earned income tax credit” as a way of getting away from a system that “rewards welfare and unemployment at a higher level than working and productivity.”<sup>19</sup> Clinton’s philosophy was more focused on eliminating poverty for working families. The legislation introduced during his administration contained a provision for helping working families without children. In keeping with the ideals of the New Democrats, Clinton argued that the EITC “is not a handout. It’s a helping hand. That’s an important distinction.”<sup>20</sup>

### Conflict and Consensus

After the 1993 expansion of the EITC, bipartisan support for this policy showed signs of crumbling. Since 1986, “spending” on EITC had more than doubled. *The Wall Street Journal* called the program “more of a direct handout than a tax refund.”<sup>21</sup> Though many Republicans remained supportive, others were now worried that one original goal of the EITC—to remove regressive Social Security taxes from the working poor—had been co-opted into a big spending welfare entitlement. Senator Roth (R-DE) was particularly annoyed with the program. Introducing legislation in 1995 to reform the EITC, he claimed that “the original intent of the program has been lost as the EITC has been turned into another Federal giveaway program.” Representative Bill Archer (R-TX), chair of the House Ways and Means Committee, was another opponent. Although the EITC is “often referred to as a ‘tax’ program,” he argued, “it is in reality a spending program.”<sup>22</sup> The EITC has also attracted fire from some liberals, who argue that too much of the cost of maintaining antipoverty wages has been taken away from employers, leaving government—and therefore taxpayers—to foot the bill. As Jared Bernstein of the Economic Policy Institute has argued: “relying solely on tax policy to raise the incomes of low-wage workers is a serious mistake.”<sup>23</sup>

With the EITC increasingly depicted as a spending program, the partisan battles of budgetary politics (the avoidance of which had once been a crucial reason for the policy's success) began to loom large in the mid-1990s, following the Republican takeover of Congress. In 1995 Republicans proposed legislation that would have significantly cut EITC expenditures by accelerating the EITC "phase-out" rate, denying EITC to families without children and to illegal aliens, and including all income (such as Social Security) in the refund calculations. The Republicans claimed that the loss to families with children would be made up by a per-child tax credit;<sup>24</sup> Democrats were very much opposed to these proposals. In a bitter struggle marked by intense partisanship, Clinton refused to sign off on legislation embodying the cuts proposed by Republicans. Other Republican efforts during the 1990s and in 2000 to cut the EITC were also rebuffed.

There are now 16 states with EITC legislation based on the federal credit.<sup>25</sup> In addition, two local governments (Montgomery County, Maryland, and Denver, Colorado) offer local EITCs. State level EITCs, many of which have been enacted since 1997, have gained support across the political spectrum. They have been enacted in states led by Republicans, in states led by Democrats, and in states with bipartisan leadership.<sup>26</sup>

## A Look to the Future

Although bickering endures between the parties about the size, structure, and aims of the EITC, there remains general bipartisan agreement that the EITC is a sensible way to aid low-income families and to reward work. The EITC is supported by most Republicans and Democrats in Congress, as well as many of the American people. A 2001 survey found 66 percent of the public were favorable toward the EITC.<sup>27</sup> Many conservatives continue to voice concern that the EITC has become a form of welfare, and therefore many support the policy with a measure of caution. "EITC has some pros

The Earned Income Tax Credit form.

and cons. Boosting work income is good; another entitlement program expanded to millions of people is bad," says John McClaughry.<sup>28</sup> "I'd support expansion of EITCs for married couples," says Marvin Olasky.<sup>29</sup> George W. Bush is heavily in favor of reducing the financial penalty for marriage in general, but has not proposed overall expansions of the EITC. An expansion of EITC, however, is strongly supported by liberals, such as John Burbank, executive director of the Economic Opportunity Institute, who would extend the upper income range of the EITC.<sup>30</sup> Overall, many on both left and right would argue, as does Alan Houseman, director of the Center for Law and Social Policy (CLASP), that the "EITC is the most effective and strongly bipartisan antipoverty program" in America.<sup>31</sup>





# Building Wealth and Assets

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## Individual Development Accounts

An Individual Development Account (IDA) is a special matched savings account designed to enable people living on low-incomes to build assets such as a first home, post-secondary education or training, or a small business. Similar to an Individual Retirement Account (IRA), money deposited in a special IDA account is matched by government and/or private funds. After a specified period of time, money can be withdrawn by the individual and invested in a business, a home, or an education. Like the EITC, IDAs may soon be incorporated into the tax code to provide more individuals with an opportunity to save and build assets. Compared to the other antipoverty policies examined in this paper, IDAs are much smaller in scope and relatively little known outside of traditional policy circles.

### The Birth of IDAs

The idea for IDAs was introduced in 1989 by Michael Sherraden of the Center for Social Development (CSD) and supported by the Progressive Policy Institute and the Corporation for Enterprise Development (CFED).<sup>32</sup> Sherraden's seminal book *Assets and the Poor* inspired CFED to establish a 2000 account pilot demonstration program (the American Dream Demonstration) in 13 sites to test the concept in 1997. Soon after, IDA programs began appearing in communities across the country. By 1998 there were 40 community organizations with IDA programs, and more than 25 states had included them as part of their welfare reform programs.<sup>33</sup> IDAs are funded from a variety of sources, including private foundations, financial institutions, employers, individuals, and federal and state dollars.

At the federal level, IDAs have been incorporated into the TANF program; welfare-to-work funding following the 1996 welfare reform; a refugee resettlement program; the Bank Enterprise Awards program at the U.S. Treasury Department; and the

## IDAs attract liberals because they support disadvantaged groups. IDAs attract Republican support because they partner community groups with private banks and credit unions, thus reducing the role of government.

Community Reinvestment Act. Also, IDA-like accounts are being implemented through federally supported entities such as the Federal Home Loan Banks and through “Family Self-Sufficiency Accounts” at public housing authorities throughout the country. In addition, IDAs may be linked to federally defined and subsidized “Electronic Transfer Accounts,” through which federal benefits, formerly delivered via check, are routed directly through financial institutions. Finally, account matching and (limited) administrative funds are now available to nonprofit organizations through the five-year, \$125 million Assets for Independence (AFI) Demonstration Program administered by the U.S. Department of Health and Human Services.

### A Bipartisan Approach to Poverty

The designer of IDAs, Michael Sherraden, argues that assets provide a “cushion against adversity,” so that the lives of people in poverty become “economically and psychologically more stable, less vulnerable . . . which often leads to greater family security, social esteem, and political involvement.”<sup>34</sup> In the conservative congressional climate of the 1990s, however, IDAs were emphasized as a means to encourage “self-sufficiency,” and thus to reduce “dependency.”<sup>35</sup>



**“The great promise of our time is to fight poverty by building the wealth of the poor. A home to anchor their family. A bank account to create confidence.” —George W. Bush, campaign speech, Cleveland, Ohio, April 11, 2000**

As shown by the history of bill sponsorship, both Democrats and Republicans support IDAs. IDAs attract liberals because they support disadvantaged groups, spread wealth, and provide incentives to save in ways tradition-

ally available only to those in the middle- and upper-incomes brackets. IDAs also attract Republican support because they partner community groups with private banks and credit unions, thus reducing the role of government in favor of private business and community and faith-based groups.<sup>36</sup> Jack Kemp, one of the first Republican supporters of IDAs, wrote in 1990 that: “Owning something changes behavior in ways that preaching middle-class values never could. . . . That’s why I’m determined to do what I can to put assets in the hands of the poor.”<sup>37</sup>

### Agreements in the States

In the states, as at the federal level, IDAs attract a wide range of bipartisan support, including from extreme wings of each political party. State IDAs were initiated by the action of community groups, which often approached Democratic legislators largely because they expected them to be more receptive.<sup>38</sup> The first state IDA was enacted under the leadership of a Democrat, State Senator Elaine Simoniak in Iowa,<sup>39</sup> but was favorably received by the states’ major conservative think-tank, the Public Interest Institute.<sup>40</sup> A significant minority of state legislation was actually sponsored by Republicans (for example, legislation in Wisconsin, Illinois, and Ohio). Other bills have had co-sponsors on both sides. For example, liberal Democrat Donny Osman sponsored a recently passed bill in Vermont entitled “An Act Assisting Families to Attain Self-Sufficiency.” He had no problem getting conservative Republicans to join him since they saw the legislation as a positive alternative to welfare.<sup>41</sup>

In general, Republican support at the state level was influenced by John Kasich (R-OH), who chaired the House-Senate committee charged with drafting the final version of the welfare reform law. Yet Democrats also took on the idea as their own, given that the IDA legislation was originally drafted as part of their own welfare reform bill (and then remained in the Republican version that passed). Thus at state level, IDAs were viewed as both Democratic and Republican, which, according to the CSD, “really helped

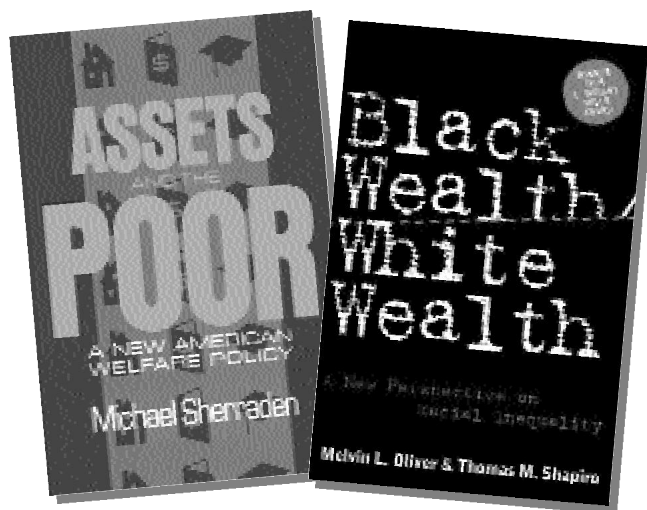
set the tone for the states and helped them come aboard more quickly.”<sup>42</sup> Though rarely actively supported by the executive branch, it was unusual for IDA legislation to have any problem getting signed by the Governors.

## The Future of IDAs

IDAs are currently on the policy platforms of both the Democratic and Republican parties, reflecting their history of bipartisan support. Even staunch conservatives opposed to other antipoverty policies are open to IDAs. John Goodman, the conservative director of the Center for National Policy Analysis, calls them “an excellent place to deposit the government surplus,” and conservative John McClaughry likes them because they are a “pro-ownership idea.” Similarly, Amy L. Sherman, senior fellow of the Welfare Policy Center at Hudson Institute, thinks they are “very important and very underutilized at present.”

Liberals are more guarded about their support of IDAs. Alan Houseman states that “IDAs are a small piece of income support, have bipartisan support and should be encouraged but they do not begin to meet the income support needs of poor families.” And according to Chuck Collins of United for a Fair Economy, “there is nothing wrong with IDAs as long as they are part of a solution that includes adequate income.”<sup>43</sup>

Currently, bipartisan legislation proposed to expand IDAs, the Savings for Working Families Act (SWFA) of 2001, sponsored by Senators Lieberman (D-CT) and Santorum (R-PA), would provide additional incentives for investment in IDAs and create close to one million IDAs. Specifically, it would provide a 100 percent tax credit to financial institutions to provide one-to-one matches up to \$500 per qualified individual saving in an IDA. Though IDA advocates such as CFED had hoped that IDAs would be included in the Community Renewal and New Markets Act in 2000 or in a charitable giving package in late 2001, they are still hopeful that the legislation will pass in 2002.



**Michael Sherraden's *Assets and the Poor* and Melvin Oliver and Thomas Shapiro's *Black Wealth/White Wealth* brought critical attention to the issues of asset and wealth development.**

One reason for this optimism is the support from President George W. Bush, who based part of his New Prosperity Initiative on the SWFA, proposing \$1.7 billion for tax credits for IDAs in his budget. He said during his presidential campaign, “Many people who are now successful can remember how hard it was to save—but how important it was to start. And we can help many Americans make that start. As president, I will propose Individual Development Accounts.”<sup>44</sup>

Stephen Goldsmith, Bush's chief domestic policy advisor, is also a known supporter. He wrote in 2000:

Compassionate conservatives recognize that those without economic means need assistance, but they believe that the way to do that is to create the conditions that allow more individuals to become homeowners. Rather than providing public housing, government can offer low-cost home loans or help people with down payments or even encourage the creation of independent development accounts so that citizens who don't have a lot of money receive tax incentives to encourage them to save and invest.”<sup>45</sup>

Republicans and Democrats clearly have different interpretations of the benefits of IDAs. Unlike other antipoverty policies, however, unity has arisen around the idea of the IDA itself. Accordingly, it has not been necessary for either side to compromise on policy points, and there have been few disputes related to high spending demands. The youth of the policy has limited the development of disagreements.



# Support for Working Families

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## The Children's Health Insurance Program

The State's Children's Health Insurance Program (SCHIP) was enacted to extend coverage to children whose parents' income precludes them from qualifying for Medicaid. More than two and a half million children are enrolled in SCHIP.

### A Bipartisan Victory

On April 8, 1997, the Child's Health Insurance and Lower Deficit Act (S 525) was introduced into the Senate; the act allocated \$20 billion to subsidize children's health insurance, paid for by a tobacco tax hike from companion bill S 526.<sup>46</sup> The intention of the legislation was to provide insurance for children in families unable to afford the high cost of health insurance but who make too much money to qualify for Medicaid. In late July of the same year, the bill was enacted with amendments and bipartisan support as Title XXI of the Balanced Budget Act of 1997. The program, SCHIP, made available more than \$20.3 billion to states to expand health insurance coverage to children in families with income below 200 percent of the federal poverty line.<sup>47</sup> Each state stood to receive a federal allocation proportional to its share of the nation's uninsured children, with a match more generous per child than Medicaid.

SCHIP was a landmark piece of legislation. Not only was it the largest expansion of a federal healthcare program since the introduction of Medicare and Medicaid in 1965, but also, unlike the latter (which passed under a Democratic president and a Democratic Congress), it passed with bipartisan support.<sup>48</sup> The legislation was introduced after the failure of Clinton's universal health care plan in 1993. Democrats had abandoned universal health coverage but were looking for incremental reform. Children were an ideal place to start: Census data from 1995 showed that about 10 million children under age 18, or 13.8 percent of children, were uninsured.<sup>49</sup> Potentially there was also room for Republican support. Under welfare reform, parents moving from welfare to work

## SCHIP was a landmark piece of legislation that passed with bipartisan support. It represented a classic political compromise for both Democrats and Republicans.

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were often losing Medicaid coverage—but worked for employers that did not offer health benefits. Children of hard-working parents were left vulnerable. Children’s health insurance thus became an issue for both Democrats and Republicans. Conservative groups were not, however, active in crafting the bill. Rather, the liberal Children’s Defense Fund (CDF) took a pivotal role in spreading the idea among sympathetic organizations such as the Child Welfare League and the American Academy of Pediatrics, convening meetings and drafting legislative possibilities.<sup>50</sup>

The successful bill was sponsored by Senator Edward Kennedy (D-MA), who brought on board Senator Orrin Hatch (R-UT), a Republican with a history of support for children who was a previous ally of Kennedy’s. The bill was a compromise, with measures drafted to please both Republicans and Democrats.<sup>51</sup> The bill proposed that the details of program administration should be left up to the states, reflecting Republican preferences for devolution. The bill allowed the states either to expand Medicaid, or to create a separate program for children—or to combine the two approaches.<sup>52</sup>

To raise the money for SCHIP, Senator Hatch proposed a tobacco tax hike in a companion bill, a tax that would also generate revenues for deficit reduction. He argued that the resulting bill was “good for children” because it would “reduce teenage smoking, and . . . lower the deficit. How can a conservative argue with that?”<sup>53</sup> There were, however, many conservative objections to the bill. Majority leader Trent Lott derided the SCHIP proposals as “a Kennedy big-government program” and was reportedly furious with Hatch for developing the bill without him.<sup>54</sup> Other conservative senators also objected to the bill. In the house, moderate Republican Nancy Johnson (R-CT) proposed a version of SCHIP that gave more flexibility to states—\$16 billion in block grants with no guarantee that it would be used to cover uninsured children, and no tobacco tax.<sup>55</sup> This was the version favored by the state governors.

By May 1997, President Clinton included \$16 billion for SCHIP in the budget agreement with the Republicans. The bill then entered the 1997 Balanced Budget Act, the companion bill to the Tax Relief Act and a fierce political battleground. By early July, differences between the House and Senate versions of the bill remained. Clinton was in favor of the Senate version of the bill, though he believed that all the money raised from the cigarette tax should go to children’s health and none to deficit reduction.<sup>56</sup> After fierce lobbying by the Children’s Defense Fund and other groups, and with last minute revisions to budget projections to create new spending potential, the Senate Finance Committee added \$8 billion to the original \$16 billion and voted to increase the tobacco tax by 20 cents.<sup>57</sup> Still nervous that the legislation would prove fateful for the balanced budget, Clinton had to be persuaded, while Lott convinced fellow Republicans that the public relations fallout of not supporting a child-friendly program wouldn’t be worth it.<sup>58</sup> A deal was eventually announced: The tax hike would be just 15 cents.



**In 1997, President Bill Clinton signed legislation creating SCHIP.**

### SCHIP at the State Level

On a state level SCHIP has had major bipartisan appeal: Just over a year after the federal legislation was passed, nearly every state had sought to take advantage of it.<sup>59</sup> Yet the details of the program gave Republicans and Democrats cause to argue. The issues most hotly disputed were: (a) whether to use federal funds to expand Medicaid (an entitlement) or to create a new program (capped and means tested); (b) which income groups to make eligible (affecting how much the program would cost); (c) how much to charge the newly eligible population for participating in the program; and (d)

## There are now 16 states with EITCs based on the federal credit.

whether to include measures to deter people covered by private insurance from dropping it in order to enroll in SCHIP.<sup>60</sup> In debates on all of these points at the state level, Democrats and Republicans tended to take positions that reflected longstanding ideological preferences.

California has one of the largest SCHIP programs in the nation, and is an interesting example of the debates around program design. Advocacy groups and Democrats favored using SCHIP money to expand Medicaid to 200 percent above the federal poverty level—a common Democratic position in many states. They argued that the infrastructure was in place and thus would facilitate speedy implementation.<sup>61</sup> Yet Republican Governor Pete Wilson was only willing to sign a bill increasing health coverage for children in a separate plan. Republicans didn't want the state adding to "entitlement programs" (Senator Ken Maddy (R)),<sup>62</sup> nor for families to "suffer from the welfare stigma that's often associated with the states' Medi-Cal program" (Governor Wilson).<sup>63</sup> (Wilson considered Medi-Cal to be an overly bureaucratic government mess.)<sup>64</sup> The Democrats compromised and agreed to a separate program, though remained unhappy that the bill did not make full use of federal funds. Sponsor Antonio Villaraigosa (D) pushed it through, encouraging members of both parties to "seize the historic moment, and not quibble about the best way to do that." Nineteen conservative Republicans did vote against the bill, however, fearful that children would drop private coverage. In the words of the *Los Angeles Times*, the Republicans were worried that "the program will amount to an expansion of government subsidies for the poor, and could prompt small employers to cancel group health plans, knowing the government would provide coverage for their workers."<sup>65</sup>

Texas also has one of the largest SCHIP programs in the nation, and it too provides a good example of the partisan debates that led to the enabling legislation. It also illustrates the significance of the role played by the governor of the state. Governor George W. Bush was in fact accused of taking no initiative with SCHIP, leaving it instead to the state legislature. (The Children's Defense Fund ranked Texas 45th in its efforts to implement SCHIP Texas, and 49th in

providing health insurance for children. The first child was covered by SCHIP in April 2000, well after most other states.) Bush also supported the proposal that SCHIP eligibility be capped at 133 percent of the poverty line, rather than the 200 percent supported by some Democrats (which would have reduced the number of children eligible by around 22,000). The Democrat-controlled state legislature opposed Bush and was successful in raising the eligibility to 200 percent in exchange for measures to deter children



**Child Health Plus is New York State's SCHIP program.**

from dropping private insurance. Bush later reportedly told a key supporter of SCHIP, State Representative Glen Maxey (D-Austin): "You crammed it [SCHIP] down our throats."<sup>66</sup> Analysts suggest that Bush's opposition was based on his desire to fund a tax cut, his dislike of federal programs, and a reluctance to spend more on Medicaid (since a spillover effect of the SCHIP legislation is that those who apply are then eligible for Medicaid).<sup>67</sup>

### A Look to the Future

When it was passed, SCHIP represented a classic political compromise for both Democrats and Republicans. Recent evidence suggests that the program has deeper bipartisan support now than it started with. By December 2000, more than two and a half million children were enrolled in SCHIP.<sup>68</sup> In 1999, U.S. Census data showed that the number of uninsured children under 18 dropped for the first time in decades, from 15.4 percent in 1998 to 13.9 percent in 1999, and among poor children from 25.2 percent to 23.3 percent.<sup>69</sup>

Yet, as Edward Kennedy has said, the Democrats "weren't coasting" in their campaign to pass SCHIP. It was the willingness of one Republican—Orrin Hatch—to bring his

party on board that was a crucial factor. The two senators had the common desire to provide children of working parents access to health care. To appeal to both sides, they ensured that the bill contained values common to both Republicans and Democrats. Still, once it got to the states, debates that had been avoided at the federal level did tend to create divisions along party lines.

These divisions endure within the public policy community. Liberals tend to see SCHIP as one step toward universal health coverage and would like to see it expanded to parents. Yet many conservatives remain ideologically opposed to SCHIP. For example, John Goodman of the National Center for Policy Analysis, one of Bush's health-care advisors, says that SCHIP is "simply a substitute for private insurance. It costs taxpayers billions for no net gain."<sup>70</sup> He would prefer the introduction of "medical savings accounts" (which enable people to spend tax-free dollars on healthcare services) and allowing states to sub-

sidize enrollment in private health plans or to pay employee premiums for employer coverage. Other conservatives echo this position.

Might a bipartisan-supported expansion of children's health insurance occur in the next few years? Chip Kahn, ex-president of the conservative Health Insurance Association of America (HIAA), and Ron Pollack, executive director of Families USA, an organization with a liberal orientation, both think this could occur. In a recent paper they proposed a compromise between Republican-favored tax credits and Democrat-favored federal expansion.<sup>71</sup> Their suggestion is to build on current programs—including SCHIP—while also extending tax credits. The HIAA would not ordinarily support expanding SCHIP and Medicaid; Families USA would be unlikely to advocate tax credits. But both organizations believe that making one conditional upon the other is a way forward. As they point out: "From the perspective of the uninsured, any so-called ideal plan that cannot get enacted is no solution at all."<sup>72</sup>



# Community Development

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## Empowerment Zones

Empowerment Zones (EZs) are impoverished areas designated for revitalization through the development of public and private partnerships to attract the investment necessary for sustainable economic and community development.

### The Evolution of an Idea

Empowerment Zones were first implemented in the United Kingdom under Prime Minister Margaret Thatcher in the 1980s. EZs conformed to Thatcher's right-wing philosophy: minimum government interference to allow economic revitalization.<sup>73</sup> The concept for EZs was originally developed by a British liberal-left urban planner, Peter Hall, as a way to stimulate economic activity in abandoned industrial areas.<sup>74</sup> But it was in their free-market guise that Stuart Butler, of the conservative think tank the Heritage Foundation, brought EZs to the United States. He sold the idea to President Reagan and then to Congressman Jack Kemp, who took on legislative responsibility for them, formulating a plan for a break in the capital gains tax for business investors. The idea gained some liberal support. The first Urban Jobs and Enterprise Zones Bill was introduced by Kemp and Robert Garcia (D-South Bronx, NY) in 1980 with support from both President Reagan and African-American civil rights groups such as the National Urban League and the NAACP.

Enterprise Zone legislation was never signed by Reagan. A lack of enthusiasm for EZ legislation in his administration, and especially in the Treasury, stalled the legislative process. Some states, however, began to enact their own legislation during 1980s; by 1991, 37 states and the District of Columbia had created Enterprise Zones.<sup>75</sup> During the Bush presidency both Democrats and Republicans introduced numerous EZ bills at the federal level. A bill sponsored by a Democrat, Charles Rangel of Harlem (NY), a member of the influential House Ways and Means Committee, gained the most support. The bill never became law, partly because it was included in a tax bill unacceptable to Republicans.

## Empowerment Zones were first implemented in the United Kingdom under Prime Minister Margaret Thatcher in the 1980s.

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### Empowerment Zones

President Clinton came out in support of Enterprise Zones in his 1992 election campaign. In May 1993 he signed OBRA and enacted EZs as his first antipoverty legislation. The Clinton-based plan was based on four principles: (1) economic opportunity, (2) sustainable community development, (3) community-based partnerships, and (4) a strategic vision for change.<sup>76</sup> He authorized HUD and the USDA to designate 10 “Empowerment Zones” (six urban, three rural, and one Indian reservation) and 100 enterprise communities (65 urban, 30 rural, and five Indian reservations). The final legislation contained \$2.5 billion in tax breaks and \$1 billion in financing, and authorized a 20 percent wage credit for the first \$15,000 in wages paid to a zone resident who also worked within the zone; preferential tax treatment for certain depreciable property; and special tax-exempt bond financing. The act also created the President’s Communities Enterprise Board, with Vice President Al Gore as chair.

In December 1994, six urban EZs (New York, Detroit, Chicago, Atlanta, Philadelphia/Camden N.J., and Baltimore) and three rural EZs (Kentucky Highlands, Mid-Delta Mississippi, and the Rio Grande Valley, Texas) were chosen for the program. Each urban EZ received a block grant of \$100 million over 10 years (rural EZs received \$40 million), plus several billion dollars in bonding authority and tax breaks. In addition, another 95 Enterprise Communities were created with lesser benefits and block grants of \$3 million. The Tax Relief Act of 1997 established two more urban Empowerment Zones (effective January 1, 2000). In these zones, qualified businesses would be eligible to use the tax incentives created in OBRA 93. The legislation also created 20 additional urban and rural Empowerment Zones effective January 1, 1999, in which qualified businesses could utilize the increased expensing limits and the tax-exempt financing, but not the wage credit.<sup>77</sup>

### Reconciling Two Visions

In 1999 the Republicans proposed a new form of EZ, the Renewal Community (RC), to take back the ideological ground lost to the Democrats. The American Community Renewal Act would create zones with less government interference and give benefits to businesses with no constraints, and it featured an abolition of capital gains taxes. Despite major differences of opinion, in November 1999 Clinton pledged to work with Speaker Dennis Hastert (R-IL) on a bipartisan initiative to revitalize impoverished communities. The plan would include Clinton’s New Markets initiative and EZ expansion, and the Republicans’ RCs. After extensive negotiations, a bipartisan agreement was announced in May 2000. Clinton got his EZ expanded and strengthened, the Republicans got a zero-rate capital gains rollover for investments within the EZs. Clinton got the wage credit into the 40 RCs—but at a rate less generous than EZs—and the Republicans got their zero capital gains rate (on the sale of assets held for more than five years) for business investors. Republicans also agreed to expand the low-income-housing tax credit in return for allowing faith-based organizations to qualify for substance abuse funding.<sup>78</sup>

Descriptions in news reports indicate that both sides were very pleased with the agreement. “This is not only the most comprehensive anti-poverty package coming out of the federal government . . . in a generation but it also, I think, has assimilated the lessons that people on both sides of the aisle have learned over the last generations,” said Representative Talent (R-MO) at the time.<sup>79</sup> The legislation was passed as the Community Renewal and New Markets Act in December 2000.

The inclusion of a capital gains tax break was a great victory for Republicans. Jack Kemp declared the agreement “a hopeful sign” and “a fair bipartisan deal.”<sup>80</sup> However, it seems that the additional Democratic EZs that piggybacked on the new RCs were accepted as a compromise measure,

## Democrats and Republicans both believe legislation in this area was, and is, flawed. Republicans think that EZs should be a substitute for social programs; Democrats argue that EZs should be just one means of boosting poor communities.

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rather than one reflecting common ground. Senator Bond (R-MO), for example, stated that the EZ part of the package “certainly was not my recommended legislation, but this was part of the bipartisan compromise we reached with the President and incorporated it in the bill.”<sup>81</sup>

### Consensus or Compromise?

The Republican Party was the original supporter of Enterprise Zones in the United States. Like the EITC, Enterprise Zones were financed through tax expenditures, rather than by revenue spending. In line with traditional Republican ideology this meant giving money back to businesses to stimulate growth (thus providing jobs to those willing to work), instead of directly to the poor. As President Reagan put it in his 1984 State of the Union address, “I ask your help in assisting more communities to break the bondage of dependency. Help us to free enterprise by . . . voting ‘yes’ on our proposal for Enterprise Zones in America. Its passage can help high-unemployment areas by creating jobs and restoring neighborhoods.”<sup>82</sup> Very similar language would be used by President Clinton in promoting his Empowerment Zones.<sup>83</sup>

Although using tax incentives to revitalize poor communities economically seems to reflect common ground between the Democrats and Republicans, there remain significant ideological differences between the parties. Democrats and Republicans both feel existing law in this area is flawed. And whereas Republicans think that EZs should be a substitute for social programs, Democrats argue that they should be just one means of boosting poor communities.

Consider the nature of liberal support for Reagan’s original EZ proposals. According to analyst Marilyn Marks Rubin, “Liberals who supported Enterprise Zones were desperate to find some way to improve conditions in their communities and were frustrated with the traditional ways of providing governmental assistance. . . . Many of them tended to see the tax incentives...as tools to help urban areas

but not as a substitute for the programs that were being dismantled by the President.”<sup>84</sup> Stuart Butler himself said later that liberal support for the policy was “triggered by the feeling that an enterprise zone program was the only approach likely to be acceptable to Reagan and the Reagan-dominated Congress.”<sup>85</sup> EZs provided at least some federal money for the poverty-stricken inner cities.<sup>86</sup>

But liberal support for the Reagan EZs was very weak. For example, Charles Rangel, the Democrat congressman from Harlem who later became a driving force in EZ legislation, was against the early versions of EZs. He saw EZs “as a weak substitute for the social programs that were being dismantled under Reagan.”<sup>87</sup> Under Bush, Rangel changed his view: “I rejected the whole thing under Reagan. But people came to me and said, ‘How can it hurt?’ So I just said, ‘What the hell.’ But when it started to look like urban policy for the nation, it was obviously inadequate.”<sup>88</sup> Rangel thus started to work on EZ policy, but with a different ideological emphasis: government intervention to fight discrimination, to create affordable housing, and to ensure businesses that located in EZs actually invested in the communities. The focus, too, was to be on a bottom-up planning procedure, with the details of how to revitalize the area being left up to the community.

Under President Clinton, EZs drew strong liberal support because the Clinton Administration’s version envisioned far more government assistance. The OBRA 1993 legislation combined the tax incentives from the Kemp-Bush plan with (a) increased grant spending that could be used for economic development, housing, job training, and other needs, and (b) a tax incentive that was not based on capital gains but was rather a wage credit for local employment to ensure government money was going to job creation. According to Andrew Cuomo, then the assistant secretary for community planning and development at HUD, the approach combined “the best of all present and past theories. . . . We think we took the best lessons from the Enterprise Zones, improved upon them and added the elements that were lacking. We learned from the shortcom-

ings and linked the tax incentives to hiring within the zone.”<sup>89</sup> When the EZ act was passed in Congress, it was dubbed “Enterprise Zones for Liberals.”<sup>90</sup>

Not surprisingly, the Democratic interpretation of EZs inspired many Republican critics. Jack Kemp was one of them. He said that the Clinton-Gore EZs were indicative of a “socialist economy,”<sup>91</sup> confirming that the Democratic administration had “the most anticapitalist mentality this century.”<sup>92</sup> Echoing similar sentiments, Republican Vin Weber insisted that “far from empowering local communities, the Clinton plan dramatically expands Washington’s role in the inner cities. . . . This flies in the face of the basic philosophy behind enterprise zones: empowering individuals and local communities by getting bureaucrats out of the way.”<sup>93</sup>

## A Look to the Future

EZs have been on a roller coaster ride since the idea was first introduced into the United States in the 1980s. At first they were part of a program entirely focused on regulatory relief for businesses. Then they became a comprehensive program aimed at empowering communities to plan their own revitalization. Ultimately they combined both approaches. The RCs also reflect this combination, although they are touted as more of a tax-slashing package than a community empowerment policy. This agreement reached on RCs, according to one commentator, shows that “Clinton and Hastert have found common ground on an issue both parties have promoted—spreading America’s booming economic growth to communities mired in poverty.”<sup>94</sup>

Yet the agreement is less a manifestation of common ground than a carefully tailored plan that combines two starkly different approaches to combating poverty: spending, investment, and community involvement on the one hand

and tax breaks on the other—into one legislative package. The Republicans dislike public spending, the Democrats dislike unregulated tax cuts. The combination of the two approaches may be bipartisan, but it does not reflect consensus on core values.

In many ways, the bipartisan compromise underlying legislation on EZs satisfies neither Democrats nor Republicans. Many liberal antipoverty advocates remain deeply skeptical of EZs. For instance, Miriam Walden, director of Just Economics, argues that “Empowerment Zones are too often used to recruit businesses away from other communities that need them, and to give subsidies to businesses that don’t pay a living wage, offer decent benefits, allow unions to organize, and contribute to the community.”<sup>95</sup> By contrast, conservatives such as John Goodman call EZs “all subsidy; no freedom.” Other conservatives tend to be more open to the idea, but not without reservations.

Although President George W. Bush has not spoken publicly about this issue, ideologically the RCs are likely to gain support from his advisors. Stephen Goldsmith, Bush’s chief domestic policy advisor and the former mayor of Indianapolis, has voiced strong support in the past for tax incentives for businesses to revitalize downtown areas. He claims that there is strong bipartisan support for this at the local level. He is also a strong proponent of empowering mayors who recognize “the importance of tax cutting in reviving urban economies.”<sup>96</sup> He is also in favor of removing all federal taxes at the same time as removing all federal grants. Popular opinion, meanwhile, generally favors tax breaks—but at a cost. A 1997 survey indicated that 71 percent of the population favored giving companies tax breaks, but only as an incentive to hire and train welfare recipients.<sup>97</sup> Currently, the future of Empowerment Zones—or Renewal Communities—remains very uncertain.

# Conclusion

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## Building on Common Ground

The four cases of policy development analyzed in this report suggest important lessons for advocates and policymakers determined to increase economic well-being and opportunity in the United States. In the past decade, an era otherwise marked by intense ideological warfare over issues of poverty and economic security, some progress has nevertheless been made in improving the situation of low-income Americans. To be sure, this progress has been limited, and it has occurred against a backdrop of negative policy developments that, in many ways, have left low-income Americans more insecure and more vulnerable to economic downturns than they were a decade ago.

Still, the developments analyzed in this report can be seen as signaling the beginning of a new and different public policy debate in the United States over issues of economic well-being and opportunity. This debate is less about such polarizing issues as welfare dependency and out-of-wedlock births, and more about the practical challenges of helping working families make ends meet, allowing more Americans to build wealth and assets, and bringing greater economic opportunity to communities that have been cut off from the economic mainstream. While the terms of the previous poverty debate during the 1980s and early 1990s decisively favored those arguing for less government intervention to help low-income Americans, the terms of the emerging poverty debate increasingly favor those who promote more activist approaches to closing the prosperity gaps. Many of these activist approaches, it should be noted, do not rely exclusively on government, but—like Empowerment Zones and IDAs—use government resources in concert with the resources of the private and non-profit sectors.

Looking more specifically at the implications for advocates and policymakers of the four cases in this report, a few important points stand out. The first is *the promise of incrementalism*. In a period of frequent partisan deadlock over public policy and constrained fiscal imagination, progress on economic security issues is most likely to come in small steps. Children's health insurance and IDAs are classic examples of compar-

## The developments analyzed in this report signal the beginning of a new and different public policy debate in the United States over economic security issues.

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atively modest programs that are able to generate bipartisan support. The expansion of the EITC is also a story of incrementalism, since the currently large program was not implemented in one fell swoop but rather grew to its present size over time.

The promise of incrementalism is understandably not very exciting to most advocates and policymakers. However, it is critical to distinguish between incrementalism as a vision and incrementalism as a strategy. If anything, those who are concerned today with closing the prosperity gap must think more ambitiously about their end goals, not less ambitiously. With new policy frameworks and new language, advocates can and should resurrect the dormant national goals of significantly slashing poverty rates and ensuring comprehensive supports for working families. That said, the strategy of incrementalism is a key to success in the present historical moment, and, indeed, has had a rich history of success in other periods. For example, Social Security became the truly effective antipoverty program it is today through a series of incremental expansions—backed by bipartisan support—to the program over a period of decades, the most dramatic of which took place in the late 1960s and early 1970s. Medicare itself is a prime example of an incremental program in that, like SCHIP, it represented a step in the direction of universal health insurance. Incremental expansions to Medicare since its passage in 1965 have also broadened that program's reach.

The strategy of incrementalism can facilitate common ground on economic security issues because add-ons to existing government programs or new programs that are small in scope are inherently less threatening to those who wish to limit the reach of government—both because of concerns with cost and concerns about unintended consequences. Yet if new add-ons or pilot programs are successful, they not only help make a case for further activism, but also can build a constituency for such activism. This seems likely

to be the case with IDAs, where initial federal efforts not only appear to be succeeding, but are also generating support for IDAs within the private sector, nonprofit groups, and state and local government.

As advocates and policymakers look ahead into the future, a number of significant incremental gains appear possible over the next few years that can work together to improve the lives of low-income workers and families. Possible gains include a higher minimum wage, expanded health insurance coverage, expanded childcare subsidies, expansions in the EITC, a major expansion of IDAs, and other steps forward.<sup>98</sup> These gains, in turn, have the potential to lay the groundwork for larger and more significant efforts to reduce poverty and build economic security. Several areas of potential progress are discussed in more depth below:

**Income and Wages.** Growing political agreement over the need to increase the prospects of low-income workers—particularly those with children—presents advocates with a range of opportunities. Although many Republicans have balked recently at overall increases in the generosity of the EITC and have increasingly attacked the program because of problems of fraud, leaders on both sides of the political divide have nevertheless suggested certain additions to the program in the past year, such as enlarging EITC benefits for families of three or more children and abolishing penalties around the program associated with being married.<sup>99</sup> The states also present an important arena to advance the EITC, and advocates have made steady progress in expanding the number of states with the EITC. The political climate of recent years has been less receptive to efforts to increase the minimum wage. However, the combination of a growing consensus that the working poor need help, along with new fiscal constraints on government's ability to help these individuals, could make policymakers increasingly receptive to addressing this problem through hikes in the minimum wage, which require no new spending. The unprecedented

## Growing political agreement over the need to increase the income of low-income working families provides advocates with a range of opportunities.

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agreement in Spring 2002 by Republican and Democratic legislators in Albany to increase the minimum wage in New York State is indicative of the potential for progress in this area. Another promising area for bipartisan progress, although one not discussed in this report, lies in efforts to increase job skills and employment opportunities for low-skilled workers.

**Health Care and Child Care.** Increasing agreement about the need to ensure that low-income working parents are able to work opens up major new opportunities to advance proposals for greater subsidized child care and health care. While these opportunities are difficult to realize fully in a period of fiscal austerity, growing public and political support for new initiatives may at least produce an increasing tempo of incremental gains. The success in November 2001 in Washington State of a ballot initiative to increase healthcare coverage for low-income working adults, as well as the passage in New York in 2000 of Family Health Plus, a major new healthcare initiative for the uninsured, hint at the opportunities that exist at the state level for such progress. More generally, many states have moved since 1996 to expand eligibility for health insurance coverage of children (and parents in some cases), as well as eligibility for subsidized childcare. At the national level, important advocacy efforts are underway to expand Medicaid coverage to low-income workers, an idea that should seem like common sense to anyone who wants to encourage and support work among low-income individuals. A compromise proposal by the Health Insurance Association of America and Families USA would provide health coverage for all persons with incomes below 133 percent of the federal poverty line through Medicaid, as well as help cover other low-income workers through tax credits and SCHIP-type coverage.<sup>100</sup> Successfully moving from agreement on the need to cover the children of low-income working adults to gaining agreement on covering the adults themselves ranks as among the most critical gains that might be made in the coming few years.

**Wealth-Building Policies.** The considerable success of pilot IDA programs in galvanizing bipartisan support at the national and state level suggests the potential to greatly expand these programs in the coming years. Just as the EITC grew from a small and limited program into a major effort to bolster the economic security of working families, so too it is possible to imagine IDAs following a similar trajectory. The support of IDAs by President Bush and many other Republicans, and the gains in Congress in 2002 of the Savings for Working Families Act, which would fund IDAs for 900,000 individuals, makes it likely that IDAs will move up to a new tier of expanded scope and funding within the next few years. An expansion of this kind for IDAs will allow the potential of this policy to be far more widely demonstrated and, inevitably, will build a constituency for further expansion of IDAs in the coming years. In addition to IDAs, a range of other asset-building policies have the potential to gain in coming years, including special matched savings accounts for children. Meanwhile, there is growing bipartisan agreement on the need to curb predatory lending and other kinds of “wealth stripping” practices that undermine the ability of low-income people to accumulate assets.

Even as advocates and policymakers move forward to score incremental gains in the next few years, they must also adopt a longer-term vision and strategy for turning the new common ground on economic security issues to their advantage. Clearly, an exciting opening is emerging to tell a broad new story about economic security and opportunity in America. Such a story could be the third major narrative to win bipartisan support and frame American public policy in this area over the past half century. The Great Society narrative of the 1960s and early 1970s emphasized the imperative of sharing America’s prosperity more broadly, creating a more inclusive society, and harnessing the powers of effective government to

## Advocates and policymakers must adopt a longer-term vision and strategy for turning the new common ground on economic security issues to their advantage.

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achieve these goals. The conservative narrative of the 1980s and 1990s, also embraced by many moderate Democrats, stressed personal responsibility, the counterproductive nature of many government programs, and the necessity of work among welfare recipients.

The emerging new story about economic well-being and opportunity borrows elements from both these past narratives. It emphasizes the significant disparities of wealth and income in an age of tremendous prosperity, and highlights the troubling social exclusion that comes with these disparities. It stresses the necessity of government action to redress economic disparities, helping to create more opportunities for better paid work in the new economy, ensuring that all people who work have the income to make ends meet and ways to build wealth, and that families receive key supports to enable them to work. In other words, the new story puts forth a renewed vision of social responsibility to compensate for the shortcomings of the market. But the new story also recognizes that social responsibility must go hand in hand with personal responsibility and underlines the importance of work, savings, and planning for the future.

The bipartisan gains made in recent years to improve economic well-being and opportunity for low-income Americans have helped to stake out the contours of this emerging story. Incremental gains over the next several years can help to clarify and advance a national vision for a new consensual approach to sharing America's prosperity more broadly. Still, this vision must ultimately stress dramatic, large-scale action if it is to offer real hope for the tens of millions of people in the United States who are struggling with economic hardship. Incremental steps in key

areas—income and wages, health care and child care, and asset building—must eventually build into far larger initiatives that promise much bigger gains, or they will remain largely palliative in the overall context of an economy that is leaving behind a significant percentage of Americans. The catch is that dramatic action to scale up efforts that now enjoy some degree of bipartisan support will be very difficult to achieve as long as current ideological divisions endure around taxes and government spending. The low salience of economic security and poverty issues in current public debates serve to exacerbate this deadlock. The tough work of finding agreement on how to finance policies that promote opportunity and equity is less likely to occur in the absence of elected officials feeling strong public pressure to move an agenda in this area.

Looking ahead, the challenge is not just to deepen emerging areas of consensus on how public policy can best reduce poverty and build economic security. The challenge is also to find greater consensus in major outstanding areas of contention. How to pay for new public policy initiatives is the most obvious of these areas, but there are many others, including how to structure welfare and related programs and how to strengthen Social Security and Medicare.

In some areas, it is quite likely that progress toward greater consensus will remain elusive and it will make less sense for advocates to engage in a search for common ground than to advance their own values and policy agenda more sharply. Still, while the debates ahead over public policy on economic security will continue to be characterized by much division, these divisions should not obscure the fresh and promising common ground that is now emerging.



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