

JOINT LEGISLATIVE STUDY COMMISSION ON POVERTY

REDUCTION AND ECONOMIC RECOVERY

Friday, December 19, 2008

Room 643, Legislative Office Building

Raleigh, North Carolina

Rep. Garland Pierce, Presiding

TESTIMONY OF GENE R. NICHOL, PROFESSOR OF LAW AND DIRECTOR,

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Thank you Mr. Chairman and Commission members. I'm Gene Nichol, professor of law at Chapel Hill and, as of a few weeks ago, Director of the Center on Poverty, Work and Opportunity at Carolina. I'm much heartened by the work of this legislative study commission and honored to be here. I'm glad to join my colleague Jesse White – who has done so much in economic development – in North Carolina, in Appalachia and the South – and who is a member of my board. And Ted Abernathy of the Research Triangle Regional Partnership and Ms. Bacon and Ms. Burwell of the Rural Economic Development Center – who with Billy Ray Hall -- have had such a powerful impact on rural North Carolina. I look forward to learning from their comments. And from yours.

I should also say that the Poverty Center at UNC is undergoing a shift in focus – not only through a much greater involvement with undergraduates, graduate students and law students – but by directing a much larger part, the strongest part, of its effort to poverty in North Carolina. So we are glad to offer the Commission and its staff any assistance and legwork that might be helpful. I am hopeful that we can, and we stand ready to enlist, the remarkable research and policy capacities of the University of North Carolina at Chapel Hill in your cause, Mr. Chairman.

I have been asked to speak of poverty broadly, from perhaps a national perspective – though, as we all know, poverty is, in operation, an acutely local phenomenon.<sup>1</sup> It touches and denigrates the lives, the hopes, the attainments, and the possibilities of hundreds of thousands of real North Carolinians. It does so every day. It has for decades, for generations, for centuries. It mocks our commitment to the American promise. And it restricts our capacity to achieve this commonwealth.

But looking broadly, I begin by commending the legislature for launching this study. American poverty poses daunting, too often, insurmountable barriers, to access, to opportunity, to equality, to dignity. It can lead to conditions profoundly at odds with our most foundational tenets as a nation. And yet it is surprising how little attention it actually draws in our politics, our media, our literature, our academic study and research, our discourse, even our pulpits. Too often, we turn our gaze away from those locked at the bottom of American life. We have, for example, just concluded what may be the most remarkable presidential campaign in our history. Searching. Defining. It was replete with discussions of Main Street v. Wall Street. But, even

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<sup>1</sup> British sociologist Peter Townsend defines poverty as “the lack of adequate resources to participate in the accepted ways in society.” See, “Reducing Poverty – Promoting Family Economic Opportunity – A Policy Institute for State Policymakers.” National Conference of State Legislators, [www.ncsl.org/programs/cyf/redressingpovertypres07.htm](http://www.ncsl.org/programs/cyf/redressingpovertypres07.htm). Federal poverty guidelines consider a family of three making \$17,170 or less to be in poverty, a family of four, \$20,650. There is a good deal of academic dispute about the federal poverty standard – which the Census Bureau describes only as a “statistical yardstick”, rather than actual proof of human need. Many analysts “question whether the federal poverty standard captures the full cost of living.” See, Reducing Poverty, above.

in this election, little or no attention was directed to those struggling to make their way onto Main Street.

The 37 million – or about 13% of Americans living in poverty. Here, in what is still the wealthiest nation on earth, the wealthiest nation in human history.<sup>2</sup> A poverty that is skewed by race – almost 22% of Hispanics, 25% of blacks and 26% of Native Americans. A poverty that is skewed by sex – 31% of female headed households live beneath the federal standard. A poverty that is skewed by geography – the south still being the poorest section of the country. And 48 of the 50 counties in the nation with the highest child poverty rates being rural in character. Trends that are demonstrated profoundly in some of this Commission’s targeted counties – poverty rates of 26% to even 32% -- overall -- in Robeson, Halifax, Tyrell, Scotland, Columbus, Bladen and other commission counties. A poverty that is dramatically affected by educational achievement – 24% of Americans without a high school diploma living in poverty, 11.4% who have graduated from high school, and only 3% of those with a college degree.

And most distressingly -- well, who knows, which of these facts could be considered the most distressing – but American poverty is also strongly skewed by age. The youngest, most vulnerable among us, the poorest. 18.3% of American kids live

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<sup>22</sup> See, US Census Bureau, “Income, Poverty and Health Insurance Coverage in the U.S. 2007”.  
[www.census.gov/hhes/www/poverty/poverty/htm](http://www.census.gov/hhes/www/poverty/poverty/htm).

in poverty. Almost one in five. A record far worse than most of our major industrial competitors. Numbers that – like the poverty and racial results – are even more debilitating here in North Carolina. Where 20.5% of our children live in poverty – well above the national average -- and a good deal higher than comparable measures in Virginia and South Carolina. Here, where poverty has risen from 2000-2007 even with a fairly robust economy – lifting many boats. And leaving all to fear what will happen now, as the economic waters rather dramatically recede.

These chronic barriers are now joined, nationally, by the greatest economic disparity – the greatest gaps between rich and poor – in the major industrial world. Gaps that, as the Center on Budget & Policy Priorities documents, “have increased for more than thirty years” – now reaching the highest levels in our recorded history.<sup>3</sup> A twenty year study<sup>4</sup> released by the thirty-nation Organization for Economic Cooperation and Development, a month ago, determined that “the gap between rich and poor” is growing significantly “in the world’s richest countries, particularly in the U.S., as top earners’ incomes soar, while others stagnate.” The “United States”, the study concluded “has the highest inequality and poverty in the

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<sup>3</sup> Robert Greenstein, Center on Budget and Policy Priorities, Oct. 29, 2008, testimony before U.S. House Ways & Means Committee.

<sup>44</sup> Growing Unequal? Income Distribution and Poverty in OECD Countries. – ISBN 978-92-64-044180-OC-OECD 2008.

OECD countries, after Mexico and Turkey” – a disparity that led Ben Bernanke, Chairman of the Federal Reserve, to write recently that “unchecked growth of income inequality could threaten the nation’s dynamism ... the challenge for [our] policy is ... to spread economic opportunity as widely as possible. “ And that’s the Chairman of the Federal Reserve, not the socialist workers party.<sup>5</sup>

And this Commission’s work will face, as well, the difficulties of concentrated poverty – the poverty of places as well as people. The Federal Reserve Board’s just completed and distributed study – “The Enduring Challenge of Concentrated Poverty in America” – finds that “a double burden is imposed on poor families living in very poor communities.”<sup>6</sup> They “not only have to cope with their own poverty but also that of those around them.” Their children routinely face dramatic additional hurdles in quality of education, in exposure to crime, in likelihood of non-marital pregnancy, in diminished social capital and network, in economic access, and in mental and physical health.<sup>7</sup>

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<sup>5</sup> Economic inequality contributes to diminished upward economic mobility in the United States: “42% of children from parents in the bottom economic fifth remain there, while 39% born to the top fifth” remain there as well. See, “Seizing the Moment: State Governments and the New Commitment to Reduce Poverty in America, Jodie Levin-Epstein & Kristen Michelle Gorzelany, A Joint Report of CLASP and Spotlight on Poverty and Opportunity, Center for Law & Social Policy, April, 2008.

<sup>6</sup> The Enduring Challenge of Concentrated Poverty in America, Federal Reserve Board and the Brookings Institution. December, 2008.

<sup>7</sup> Id, The Enduring Challenge of Concentrated Poverty in America.

And you launch your work, this crucial work, under the most trying of circumstances. This State must deal, in the upcoming session, and perhaps before, with alarming budget shortfalls, reportedly approaching 2-3 billions of dollars, with tragedies in the mental health system, challenges in nursing home care, with a criminal probation system crisis, with the unfinished promises of Leandro, and child health care. The list is long. And deep. And expensive. And while these trials approach, the national and state economies falter. Unemployment rises.<sup>8</sup> The demand for overstretched public services expands. Pathways ahead are perilous. But this may be a time, as well, that in both Washington and Raleigh, we are asking more seriously, and more searchingly, the most fundamental of questions about what kind of people, and what kind of society we are. And if we do that, these hard realities cannot be ignored.

And you are not alone. In the last couple of years, more than a dozen states have created commissions or caucuses not unlike this one. Several have set legislative targets for the reduction of poverty over the next decade. Delaware and Vermont, for example, committing to cut child poverty in half by 2018; Illinois to cut extreme poverty [that is, those living below 50% of the poverty standard] by half; Oregon, to reduce extreme poverty from 12.1% to 10%. And, meantime, an array of states

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<sup>8</sup> The North Carolina Economic Outlook, Winter 2008-2009, Michael Walden, [michael\\_walden@ncsu.edu](mailto:michael_walden@ncsu.edu); BTC Reports, North Carolina Budget and Tax Center, "What Happened to the Jobs? A Tale of Two Economic Cycles, John Quintero, Vol. 14, No. 7, Dec. 2008.

have proposed to undertake steps to move pragmatically toward those standards – expanding the state earned income tax credit [as you have], expanding child care programs for the working poor, broadening child health care [as you have], opening wider the doors of community colleges, and meeting the costs that entails, developing more effective teen pregnancy programs, increasing Food Stamp and EITC enrollments for the already eligible, modernizing unemployment insurance, adding rental and housing assistance,<sup>9</sup> and more.<sup>10</sup> They have also proposed, as you will, and as I’m confident we’ll hear discussed this morning, focused economic development strategies designed to bring languishing communities into the more promising currents of the economic mainstream.

We don’t have the all the answers to these chronic problems. Neither, I’m guessing, will you. Chronic problems that are about to get much worse – with estimates that a new deep recession may throw another 10 million Americans into poverty. And when, at the federal level at least, we’ve already busted the budget. And more.

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<sup>9</sup> See also, Manufacturing Layoffs: Hard Times for Rural Factories, The Rural Center, April 2002, Jean Crews-Klein, [www.ncruralcenter.org](http://www.ncruralcenter.org); What Happened to the Jobs? A Tale of Two Economic Cycles, BTC Reports, North Carolina Budget & Tax Center, John Quinterno, [www.ncjustice.org](http://www.ncjustice.org).

<sup>10</sup> See, Seizing the Moment: State Governments and the New Commitment to Reduce Poverty in America, CLASP, id. See also, Beyond Stimulus: Shoring Up the Safety Net, Securing the American Dream, Nov. 7, 2009, [www.clasp.org](http://www.clasp.org).

We don't know all the answers. But we do know, and I think this Commission's creation says as much – we do know that it's unacceptable, beyond unacceptable, to have one in five children living in wrenching poverty in the richest nation on the planet. We know that rushing to provide security and safety nets – for whatever reasons – to those at the very top while we ignore the immensely larger stresses, and often more admirable efforts, of those at bottom, has a sting of unfairness that mocks the American promise -- and our broader charge, from Dr. Graham, to “build a fresher and nobler civilization in this ancient commonwealth.” And we know that the most profound American value is that we're all in this together.

Thank you Mr. Chairman.