

UC SANTA BARBARA

# THE *Current*

April 15, 2014

[Andrea Estrada](#)

## **Examining Issues of Poverty and Full Employment**

“The poverty of modern-day America is a scandal rather than a tragedy. There’s nothing natural about it. There’s nothing inevitable about it. If it were, every other industrialized country would have the same levels we do. But they don’t.”

So said journalist Sasha Abramsky, author of “The American Way of Poverty: How the Other Half Still Lives,” speaking to a large audience at UC Santa Barbara on April 3. His talk, and that of economist Dean Baker, was part of “The Great Society at 50: Democracy in America, 1964/2014,” UCSB’s Critical Issues in America series. The series focuses on Lyndon B. Johnson’s 1964 challenge to Americans to reach beyond the “rich society” to achieve a Great Society, in which equal rights and opportunity were a reality for all.

As key components of Johnson’s agenda remain unrealized and mired in political controversy and debate, the series examines the aspirations, achievements and ongoing struggles this period in our history helped to launch in light of the challenges facing democratic policy and activism today. It continues Friday, April 18, with a major symposium on the Affordable Care Act and its historical significance in efforts to make healthcare accessible to all.

“In 2014, nearly 50 million Americans — nearly one in six — live at or below the government-defined poverty line,” Abramsky said. “These lives, brought up against the cold realities of Gilded-Age levels of social inequity, represent one of the great

moral issues of our time."

Despite the myths about upward mobility in the U.S., Abramsky continued, in 2014 ours is a far more unequal and far less socially mobile society than that of almost any other country we could compare ourselves to.

According to Dean Baker, a Washington, D.C.-based economist and co-founder of the Center for Economic Policy Research, joblessness is linked to inequality, and the best weapon in the fight against poverty is full employment. "There's no better way to help low- or moderate-income folks than with good-paying jobs, and that means getting unemployment down. But we aren't going to get there anytime soon," he said.

In an April 8 talk titled "The Importance of Full Employment and the Routes for Getting There," Baker explained the particular circumstances surrounding the recent economic crisis and how they make for a slow recovery.

In contrast to past recessions in the 1970s and 1990s, which were brought about by the Federal Reserve Board raising interest rates to slow the rate of inflation, the recession that started in 2008 was brought about by the housing bubble combined with near-financial collapse, Baker explained. "We had this huge housing bubble that was driving the economy and it burst. It collapsed. House prices plummeted, and along with that construction plummeted. And the consumption that was being supported by the housing bubble also plummeted."

The housing bubble, he continued, supported consumption by way of the trillions of dollars of equity people had in their homes. "There's a well-known economics concept called the 'housing wealth effect,'" Baker said. "People spend based on the wealth in their homes, and it's fine as long as the money is there. But then it disappeared because house prices dropped. There's a huge fall in both residential construction and consumption. And there's nothing the Fed can do to easily make that up. That was the basis of the recession."

The steep decline was aggravated by the financial crisis, Baker explained, but the housing crisis was the real basis of the downturn. And there's no easy way to bring back that demand. "My calculations are we had roughly a trillion dollars annual demand that would be lost when the housing bubble burst," he said. "And that's a lot to replace. The stimulus was about \$700 billion, and most of that was spent over two years.

"We're trying to replace a trillion dollars in lost demand with \$300 billion in 2009 and in 2010, and zero in subsequent years," he added. "For two years we replace a third of it, and then nothing. That's the basis of the downturn. That's why the economy is slow in recovering."

Despite their disturbing analyses, both Abramsky and Baker are convinced that solutions are well within our grasp. "The decisions that we collectively as a political body have made over the last few decades — decisions that have resulted in this cascading crisis of poverty and inequality — are one of the great scandals of our time," Abramsky said.

"But precisely because American poverty is largely a consequence of choice, for that very same reason it largely is solvable by our interventions and by our actions," he continued. "If we can marshal a communal conversation that highlights and centralizes this theme, there are many things we can do — some of them not particularly complicated — that would have a tremendous impact on poverty."

Abramsky cited solutions that range from adjusting the marginal tax rate (which he noted was 91 percent during the Eisenhower administration and is now somewhere around 35 percent) to the government requiring that banks invest in microcredit systems for low-income communities in exchange for FDIC. "There are a lot of things we could do if the political will were there," he said.

Friday's conference on healthcare and the Affordable Care Act will feature guest speaker Paul Starr, professor of sociology and public affairs at Princeton University. He is co-founder of The American Prospect and author of "Remedy and Reaction: The Peculiar American Struggle Over Health-Care Reform as well as the Pulitzer Prize-winning book "The Social Transformation of American Medicine."

Starr's talk, which will begin at 1 p.m. in the multipurpose room of the Student Resource Building, opens a discussion on "Healthcare Rights and Healthcare Reform" that features reports from the front lines of state and local, official and grassroots efforts to implement the Affordable Care Act (ACA).

Among the participants are Mario Chavez, Susan Klein-Rothschild and Janice Rocco. Chavez is director of community relations for St. John's Well Child & Family Center, a chain of federally qualified health centers (FQHC) in Los Angeles with historic roots in the community health care movement of the 1960s. He will reflect on implementation of the ACA from the standpoint of the health center's longstanding

commitment to achieving a universal right to health care that is affordable, of high quality and provided by people with living-wage jobs.

Klein-Rothschild is a deputy director in the Santa Barbara County Health Department's community health division, and over the past year she has been involved with the ACA as it related to the Department of Public Health. She will discuss what the ACA means to a local government organization and an FQHC, and will report on the county's experience in implementing the historic law.

Rocco is the deputy commissioner for health policy at the California Department of Insurance, where she has played a key role in ACA implementation, oversight and public outreach statewide.

An endowed program in the College of Letters and Science at UCSB since 1995, the Critical Issues in America series examines relevant social topics from a multidisciplinary perspective. Previous series have focused on environmental issues and policy reform; media ownership; women, employment and globalization; violence in America; ethnic studies; and marriage and alternatives.

More information about "The Great Society at 50" is available at  
[www.history.ucsb.edu/greatsociety](http://www.history.ucsb.edu/greatsociety).

---

## About UC Santa Barbara

The University of California, Santa Barbara is a leading research institution that also provides a comprehensive liberal arts learning experience. Our academic community of faculty, students, and staff is characterized by a culture of interdisciplinary collaboration that is responsive to the needs of our multicultural and global society. All of this takes place within a living and learning environment like no other, as we draw inspiration from the beauty and resources of our extraordinary location at the edge of the Pacific Ocean.