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New Opportunity EITC [Earned Income Tax Credit] - DLC [Democratic Leadership Council] 1/12/00 - New Opportunity Speech EITC Rollout 1/12/00 [1]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	Eric Liu to Jeff Shesol at 8:16pm. Subject: Re: Revised draft remarks on New Opportunity Agenda... (1 page)	01/10/2000	P5

COLLECTION:

Clinton Presidential Records
Speechwriting
Jeff Shesol
OA/Box Number: 19947

FOLDER TITLE:

New Opportunity EITC [Earned Income Tax Credit] - DLC [Democratic Leadership Council] 1/12/00 - New Opportunity Speech EITC Rollout 1/12/00 [1]

2006-0467-F
vz1313

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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THE WHITE HOUSE

WASHINGTON

call
Bruce 66262

I like all this mc deal
I just want one
straight-out mc deal

John wants
it to be a Third Way agenda
* make pt. that we're going to
to make sure no one who's willing to
work is left behind ...

Also: DLC as Lieberman likes to say,
we need to expand winners circle.
upbeat / mc

EITC - 1st idea to come out of DLC

vision: we cd offer a new soc contract/
for working people — the way to help lift
people out of pov wasn't just new progs. but
reward. ... values. that is why
so when you went to work, good things shd
happen.

THE WHITE HOUSE
WASHINGTON

We believed that most people on welf wanted to work + wd, if we rewarded work over welfare.

Then ...

This thing's great

Not that EITC moved people out of pov., but we're put gov't back in line w/ basic values + people are lifting selves out of pov.

Values piece

"unified soc. policy theory"

Final 01/11/00 5:45pm

Jeff Shesol

PRESIDENT WILLIAM J. CLINTON

REMARKS ON NEW OPPORTUNITY AGENDA

GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

January 12, 2000

Acknowledgments: Sen. Lieberman; GWU President Stephen Joel Trachtenberg [track-tin-berg]; Jessica and Tommy Cupp

Eight years ago, when I ran for President, I stood before an audience here in Washington and called for change: "Change in our party, change in our national leadership, and change in our country." Change not for its own sake but because the old answers were obsolete, because new conditions demanded a new approach, bec. our economy was in the grip of ec. distress, soc. decline, of gov't [illegible] & pol. [illegible]

What I said then – and what we in the DLC had been saying for some time – was that our politics had to embody the basic values of opportunity, responsibility, and community. Our party had to pursue them; our policies had to promote them.

Those of us who led the charge called ourselves New Democrats and our agenda the Third Way. But we were quick to point out that labels don't define a politician or a political movement; ideas do.

~~Our ideas were bound to cause controversy in an America divided along the old lines of conflict, an~~

8 yrs ago,

America ~~that~~ was asking itself, ~~after a decade of deadening deficits~~, "What went wrong?" Al Gore and I knew that to set things right, we should not return to policies more relevant to the problems of the 1930s or the 1960s. Nor would we reprise the great neglect of the

early 90s— we said that should be seen not

~~1980s~~. Instead, ~~we said that~~ government ~~had to~~ be

as the problem or the solution, but as a catalyst for positive change,

~~slimmed and trimmed and reinvented if it was ever going~~

providing the tools & conditions necess. for Ams to succeed, partnering

~~to function as it does best – as a catalyst – as an active~~

w/ the priv sector & local gov't to create opportunity, promoting

~~partner to the private sector in creating opportunity,~~ jobs,

growth & a sense of comm among all Amer.

~~and hope~~.

1) a Re [illegible] was smaller, [illegible] but more active
2) an Econ pol to ~~[illegible]~~ cut def, bal bud and invest more in Ed, H, Env, Sci
3) a welfare pol to req able bod peop to work and to support poor fam w/
~~And we said that citizens had to take responsibility for~~ Med C food & incom
4) an Ed pol that promoted high stds & [illegible] and invested more
~~shaping their own lives and serving their own~~
4A) Fam [illegible] 48) [illegible]
5) an Env pol that brought cleaner air, H2O, safer food, fewer toxic dumps, [illegible], land preserved in a way that [illegible] Ec grows
~~communities.~~
6) A for pol - [illegible] & coop; Mid East; Demo & [illegible]

Lots of new pol → EZs, CDFI, AmeriCorps, HOPE Schol, V chip, TN 4 Ed, Lab, FMLA, 100,000 pol, Brady, [illegible], [illegible], ~~[illegible]~~ [illegible] to [illegible] - AO many more →

~~Today, I think we can say with certainty – and no~~
In 1992, the Am people took a chance on our new approach — They authorized us to create a V [illegible] ~~[illegible]~~ for new
~~small measure of satisfaction – that the argument is over.~~
era of global info econ — in 1996 they renewed our [illegible], telling us to build our bridge to the 21st C —
~~It's been put to rest by the record. It's been resolved by~~
Now it's 2000 and we have been fortunate to implement a very high % of the orig [illegible] plus a lot more along the way —
seven years of results – measurable, remarkable results:
We're not making an argument any more → now there's a record —

the fastest economic growth in more than 30 years; the lowest unemployment rate and the smallest welfare rolls in 30 years; the lowest poverty rate in 20 years; the lowest murder rate in 30 years; the ~~largest surplus~~ 1st back to back surpluses in ~~almost~~ 40 yrs. years; the highest home ownership ever. In ~~several~~ just a few weeks, America will achieve the longest economic expansion in our history, w/ high % of new jobs — more over 2000 — in [illegible] of any exp since WWII.

Pros more broadly shared → lowest AA un, pov ever recorded; lowest Hisp un [illegible], lowest pov in 25 yrs; lowest ch pov in 20 yrs; lowest single par HH pov 46 yrs; lowest female un 40 yrs; ~~[illegible]~~ finally on the decline —

Progress on other fronts — 90%; 150,000 AmeriCorps; land, air, water, food. Protected more land in lower 48 than any Adm since 2 Roosevelts

In the world we have been a force for peace f. N Ir to ME to ~~And every one of our 20 million new jobs proves that it~~'s Bos & Kos to Haiti to Afr. We have reduced Amer & Russ nuc weapons and pushed the nuc prgm. We have reached out to China & our WTO agreement, ~~possible – as I argued in 1991 –~~ to ~~"expand opportunity~~ while being clear on our continuity. We have worked to bld a united Eur, expanding NATO, forging tran clearing, reaching out to Turkey & Greece. We have worked ~~without expanding~~ing government." to avoid & strengthen our Intl cap, increased economic & human aid to refugees Kosovo, strengthened our alliances in Lat Am and Mid Ea crisis then, & concluded over 270 trade agreements –

So America begins its journey through the 21st Century with ~~greater~~ gr prosperity, sec progress, & NATO self-conf, w/o and ~~greater promise~~ than ~~ever~~ serious external crisis or external threats to our Nation we ~~have ever known~~n. ~~Today, I want to speak to you about~~.

Today the gt Q before the Amer people is how to make most of this ~~what more we must do to fulfill that promise – to seize~~ magic moment ~~this momen~~t, this chance of a lifetime – and fashion, the home of our dreams, a new era in which we realize ~~of~~ opportunity for all, responsibility from all, and community of all Americans, in a world increasingly peaceful, prosperous, free, and interdependent.

Fifteen days from now, in my State of the Union Address, I will propose an ambitious new agenda for a new century. I will ask Cong to meet & the part. & in this millennial yr to complete unfinished bus, like PBOR, Hate Cr, sensible gun legis – and to embrace large, LT goals for our country & concrete steps to reach them

I will put forth a new agenda rooted in responsibility, ~~and~~

designed ~~a new agenda~~ to create a ~~wider and~~ stronger and more inclusive community.

But today I want to talk about what I am calling my New Opportunity Agenda. At its core is a simple, powerful, fundamental principle: "Opportunity for all." We know that in these seven years we have created more opportunity for more Americans than in any comparable period in history. And we know that the economic conditions we have created – the virtuous cycle we have set in motion – put us in a position to achieve so much more. ~~We can expand the circle of opportunity wide enough to include the men and women at its margins, so that no one who's willing to work is left behind as our nation moves ahead~~. We can, as Senator Lieberman or Al From would say, expand the winner's circle, ~~so that~~ to include men, women, & children still at the margins of society, so that no one willing to work is left behind

The New Opportunity Agenda builds on the ideas I put forth in 1992 and the progress we have made in the seven years since. ~~It is an agenda to renew opportunity, reward work, and rekindle hope~~. It advances our understanding of what opportunity means in an Information Age. Once, textbooks were central to a child's education; today, computers are. Once, a ninth-grade education was all anyone needed to get a job for life; today, preschool and college are crucial, and most of us will change careers several times before retirement. My New Opportunity Agenda accounts for these new demands of a new economy, and these new pressures on working families.

It also helps assure that if you work hard and play by the rules, you will have a decent chance for yourself and a better life for your children. That, after all, is the American Dream we ~~you and I~~ were raised on, The Dream ~~That's the~~ promise to nation ~~I made~~ when I ran for President. And that's been the basic goal of so much we have done – from the Earned Income Tax Credit to EZs to microcredit to the minimum wage, from [illegible] access health care and ~~to~~ child care to FMLA to partnerships that have helped millions of Americans move from welfare to work.

In the coming weeks I will have more to say about my New Opportunity Agenda, more ideas to offer on the reforming education, renewing families, closing the digital divide, opening new markets, expanding access to health care and child care – everything that works together to expand opportunity.

But today I want to announce an important element of my plan, one that is emblematic of our overall approach.

In my State of the Union Address, and in my budget for 2001, I am proposing a substantial expansion of the Earned Income Tax Credit – a targeted tax cut for low-income working families. As I pledged in 1992, one of my first actions as President was among to nearly double ~~expand~~ the EITC. ~~But~~ When enacted in August of 1993, it became ~~made~~ the largest single investment in the working poor in more than two decades, ~~and here's why: because the~~

The EITC isn't just another acronym. The "E" in "EITC" is about earning. It's about working. It's about taking responsibility and being rewarded for it.

I believe the government, too, has a responsibility – part of its basic compact with our citizens – to make sure, for families like the Cupps, that work pays; to make sure we reward work even as we restore fiscal discipline to our government. In expanding opportunity, these incentives to work are every bit as important as economic growth or interest rates or debt or deficit reduction. And as studies from Harvard to Wisconsin confirm: the EITC is a powerful incentive to work. It's a fulcrum by which people lift themselves out of poverty and into the middle class. In 1998, the EITC helped more than 4.3 million make the move. That's double the number in 1993. This tax credit is a major reason – along with the strength of our economy, the rise in the minimum wage, and movement of millions from welfare to work – that there are fewer people in poverty today than in 20 years.

It helps explain why the child poverty rate is lower than it's been in 20 years; and why child poverty among African-Americans is the lowest on record.

Because we know this works, and we know there are still too many families in poverty,

~~Precisely because we have made such progress~~, we know there is more ~~we can~~ to do. ~~And we know what works~~. That is why, today, ~~I am proposing to expand an investment that is already expanding opportunity~~ for ~~millions of Americans~~. I am proposing, first, to eliminate the marriage penalty exacted by the EITC, making sure that this tax credit rewards marriage, and family, just as it rewards work. Second, I am proposing to expand the Earned Income Tax Credit for families with three or more children. The pressures on these families rise as their ranks increase: 28 percent of them are in poverty, more than twice the rate for smaller families.

Our plan would provide these families tax relief that is up to 20 percent greater than what they now receive. Third, our plan would give more people more incentives to work their way into the middle class by phasing the credit out more gradually thus reducing the [illegible] of the tax [illegible] working [illegible]. And fourth, it would make it easier for recipients to save for the future and for their retirement.

For a family like the Cupps, these new initiatives would mean an additional tax credit of up to $850, helping them to provide for their children, or own a home, or buy a car that makes it easier to work. My budget dedicates [$22] billion to these priorities over the next 10 years – increasing our investment in people while maintaining the fiscal discipline that got us here.

"Opportunity for all" is more than a marker of how far we have come; it's a measure of how far we can go. It was Robert Kennedy who said: "Our society – all our values, our views of each other, and our own self-esteem; the contribution we can make to ourselves, our families, and the community around us – all these things are built on the work we do." We must continue to do all we can to affirm the dignity of work – and deliver the rightful rewards for taking responsibility.

This, as I have said, is a great and unique moment for America: a chance to renew the values of opportunity, responsibility, and community; a chance to fulfill the ideals of our founders; a chance to realize the full promise of a prosperous nation. Let us work together to build an even stronger America, and an even better, brighter future for all our people. Thank you.

Margaret M. Suntum
01/12/2000 02:56:48 PM

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THE WHITE HOUSE

The Office of the Press Secretary

Fo
r Immediate Release January 12, 2000

REMARKS BY THE PRESIDENT
TO THE DEMOCRATIC LEADERSHIP COUNCIL

Dorothy Betts Marvin Theatre
George Washington University
Washington, D.C.

1:45 P.M. EST

THE PRESIDENT: Thank you. Well, first of all, I think we ought to acknowledge that public speaking is not something Jessica does every day, and I think she did a terrific job. I thank her for coming here. (Applause.)

I want to thank Tommy and Sarah and Maggie and Eliza and Grandmother for coming also, so that you would have a human, real example of the subject I want to address today, and one of the biggest reasons I ran for President.

I thank my old friend, Senator Joe Lieberman, for his leadership of the Democratic Leadership Council. President and Mrs. Trachtenberg, thank you for welcoming me back to George Washington.

I want to acknowledge two other people in the audience today, without whom many of us would never have been able to do what has been done, and particularly I am indebted to them -- first, Will Marshall, who runs the Progressive Policy Institute of the DLC, who has been at this for well over a decade and come up with so many of the ideas that have been hallmarks of our administration. And I want to thank my long-time friend, Eli Segal, who actually gave birth, in fact, to two of our most important ideas, AmeriCorps, our national service program -- he set AmeriCorps up; and then he set up the welfare-to-work partnership, which has resulted in hundreds of thousands of people being hired by private business from the welfare rolls. So thank you both for coming here and for what you have done for our country. (Applause.)

I always get nervous when people start talking about legacies, the way Senator Lieberman did. You know, alliteration having the appeal it does, it's just one small step from legacy to lame duck -- I keep hearing that. (Laughter.) And I've finally figured out what a lame duck is -- that's when you show up for a speech and no one comes. (Laughter.) So thank you for making me feel that we're still building on that legacy today.

I want to put the issue I came here to discuss today, which directly affects the Cupp family and so many tens of thousands like them all across America, in a larger context of what we have been about since 1993, in January.

Eight years ago, when I ran for President, I came here to Washington and asked for change in our party, change in our national leadership, and change in our country -- not change for its own sake, but because in 1992 our nation was in the grip of economic distress, social decline, political gridlock, and discredited government. The old answers plainly were obsolete, and new conditions clearly demanded a new approach.

By 1992, we in the DLC had been working for some years on a new approach, rooted in the basic American values of opportunity, responsibility, and community; dedicated to promoting both work and family here in the United States, and to promoting America's leadership around the world for peace and freedom, security and democracy. We believed that government was neither the primary problem, as the new Republicans had been telling us for a decade by then, or the primary solution, as many New Deal Democrats still earnestly believed.

Instead, we asked for a new direction for our national government, with a focus on creating the conditions and providing people the tools to make the most of their own lives; and a commitment to a partnership with the private sector, and with state and local government, so that the federal government would be a catalyst, promoting and experimenting vigorously with new ideas. It would be a smaller and less bureaucratic, but a more active government.

Those of us who were in the vanguard of this movement called ourselves New Democrats,and we said our agenda was a third way, a way to create a vital center that would bring people together and move our country forward. But we were also quick to acknowledge that labels don't define a politician or a political movement -- ideas do.

Our new ideas were first built on the premise that we had to discard the false choices that then defined politics here in our Nation's Capital. We believed, for example, that we could both eliminate the deficit and increase our investment in education, in science and technology, in the truly significant national priorities. We believed we could be pro-business and pro-labor. We believed we could be pro-growth and pro-environment.

We believed we could reform welfare to require those who are able to work, and still do more for poor children and poor families. We believed we could improve education both by raising standards and accountability, and investing more where it was urgently needed. We believed we could help Americans succeed both at work and at home, rather than forcing them to make a choice, as so many, regrettably, still have to do every single day.

We believed we could lower the crime rate both with more effective punishment and with more effective prevention. We believed we could lead the world with greater military strength and more diplomatic aid and cooperative efforts with other nations.

We had a whole lot of new policy ideas that we implemented. I'll just mention a few: the empowerment zone program and the reinventing government program that the Vice President's led so brilliantly; community development financial institutions; AmeriCorps, which now has given over 150,000 young Americans the chance to serve in their community, and to earn some money for a college education; the HOPE Scholarships, which along with our other college incentives have effectively opened the doors of college to all Americans; the V-chip; trade, with environmental and labor considerations taken into account; after-school programs; 100,000 police; the Brady Bill; the Family and Medical Leave law; the assault weapons ban; housing vouchers for people on welfare to move closer to where the jobs are; environmental right-to-know laws; and many, many other ideas, all within this basic framework of opportunity, responsibility and community, all with a view toward a government that was less bureaucratic, but more active.

Today, we're in a position to make an assessment -- very different from 1992. In 1992, Al Gore and I went around the country and made an argument to the American people, and they took a chance on us. And our friends in the Republican Party said, even after I got elected President, that none of it would work. They said our economic plan would explode the deficit and bring on another recession. They said our crime bill, with 100,000 police and the assault weapons ban and the Brady Bill, would do nothing to lower the crime rate or the murder rate. And I could go on and on and on, through issue after issue after issue.

Well, back in 1992, it was, after all, just an argument, and the American people took a chance. Now I think we can safely say the argument is over, for one simple reason: It has been put to rest by the record. We have been fortunate enough to implement virtually all the ideas that were advocated in the 1992 campaign, and most of those advanced in the '96 campaign. And we now have seven years of measurable results. Some of them were mentioned by Senator Lieberman, but I think it's worth going over again, to set the stage for the point I want to make, which is the more important one.

We have the fastest economic growth in more than 30 years; the lowest unemployment rate, and the smallest welfare rolls, in 30 years; over 20 million new jobs; the lowest poverty rate in 20 years; the lowest murder rate in 30 years; the first back-to-back surpluses in our budget in 42 years; the highest home ownership in history. And in just a few weeks, now, we'll have the longest economic expansion in the history of the country, including those when we were fully mobilized for wartime.

In addition to that, there has been a definite improvement in the social complexion of America. We have the lowest child poverty rate in more than 20 years; the lowest female unemployment rate in 40 years; the lowest African American unemployment and poverty rates ever recorded; the lowest Hispanic unemployment rate; the lowest Hispanic poverty rate in 25 years; the lowest poverty rate among single-parent households in 46 years.

Along the way, we have immunized 90 percent of our children against serious childhood diseases for the first time in the history of America. We have 2 million more kids out of poverty, and 2 million more children with health insurance. Twenty million people have taken advantage of the Family and Medical Leave law. Over 450,000 people have been denied the right to buy a handgun because they were felons, fugitives, or stalkers, under the Brady bill. We have cleaner air, cleaner water. We have cleaned up three times as many toxic waste dumps as in the previous 12 years.

And yesterday, I had the privilege to go to the Grand Canyon to set aside another one million acres of land. Now, in the lower 48 states, we have protected more land than any administration in American history, except those of Franklin and Theodore Roosevelt.

Our country has helped to further the cause of peace from Northern Ireland to the Middle East, to Bosnia and Kosovo to Haiti, established new partnerships with Latin America, Asia and Africa for economic cooperation, restrain the nuclear missile programs of North Korea, fought against Iraq's weapons of mass destruction program, worked to reduce the threat of terrorism, chemical and biological weapons, cut thousands of nuclear weapons in the arsenals of Russia and the United States, expanded NATO, increased our debt relief and economic assistance to the poorest countries of the world. We have helped to minimize economic problems in Asia and Mexico, and concluded over 270 trade agreements, all with a view toward implementing the basic ideas that were articulated in 1992 and developed in the years before through the Democratic Leadership Council.

Now, what does that mean in practical terms to all of you, and especially to the young people in this audience? It means for the first time in my lifetime, we begin a new century with greater prosperity, greater social progress, greater national self-confidence, with the absence of an internal crisis or an external threat that could derail our further forward movement. This has never happened in my lifetime.

The first time I came to George Washington University was in September of 1964, to a Judy Collins concert in Lisner Auditorium. (Laughter.) I remember it well. Some of you were not alive then, maybe more than half of you. That's the last time we had this sort of economic growth, and this kind of range of interest in our country toward helping people who had been left out and left behind, or were in distress. But we were unable to resolve the civil rights challenge at home without major crises, including riots in our cities, and our efforts to deal with that came a cropper with the costs in the burden of carrying on the war in Vietnam.

In my lifetime, we have never had a chance like this -- never. And I would argue to you that the most important question today is not what we've done for the last seven years in turning the ship of state around and moving America forward, but what are we going to do now that we have the chance of a lifetime to build the future of our dreams for our children? That's the most important thing. I am gratified by all the results that I just recounted to you, but after all, that's what you hired me to do. And that's what our administration signed on to do.

The question is, what are we going to do now? What will you do, as citizens, when I am no longer here, and I'm just a citizen like you? As a country, what will be our driving vision?

The thing I worry about most is that when people have been through tough times and they've achieved a lot, the first thing that you want to do is sort of relax. And most everybody here who's lived any number of years can remember at least once in his or her life when you made a mistake by getting distracted, or short-sighted because things seemed to be going so well you didn't think you had to think about anything else. That can happen to a country, just as it can happen to a person, a family, or a business. So the great challenge for us today is to make up our minds, what are we going to do with this magic moment of promise?

What I want us to do is to put our partisan divisions aside to complete the unfinished business of the last century -- including things like the patients' bill of rights, sensible legislation to keep guns out of the hands of criminals and children, the hate crimes legislation -- all the things that were still on the agenda when Congress went home, but to deal with these big, long-term challenges.

What are they? The aging of America -- the number of people over 65 will double in the next 30 years. I hope to be one of them. (Laughter.) The children of America, the largest and most diverse group ever -- in a globalized information society education is more important than ever, and we must give all of them a world-class education.

We can make America -- yes, we've got the lowest crime rate in over 25 years, the lowest murder rate in 30 years -- no one believes it's the safest -- safe as it ought to be here. We ought to dedicate ourselves to making America the safest big country in the world.

We've proved that we can improve the environment and grow the economy, but we still aren't taking the challenge of global warming seriously. And we still not have said explicitly: The world has changed, it is no longer necessary to grow rich by despoiling the environment. In fact, you can generate more wealth over a longer period of time by improving the environment. America ought to prove that, instead of continuing to be a problem and having our heads in the sand on the issue of climate change.

We ought to dedicate ourselves not just to running surpluses, but to getting America out of debt for the first time since 1835, so that all the young people here will have lower interest rates and a healthier economy throughout their adult lifetime. We ought to dedicate ourselves to bringing opportunity to the people and places who have been left behind. We ought to dedicate ourselves to building a world in which there is a more human face on the global economy, and in which we work with our friends and neighbors to deal with the new threats of terrorism, ethnic, racial and religious warfare, and chemical and biological weapons.

And we ought to recognize that in a world in which we know the most important job is still -- is still -- the job that

Jessica and her husband have taken on of raising these three children. We cannot allow -- we cannot allow -- our country to be a place where you have to make a decision about to whether succeed at home or to succeed at work. Because if we ever get to the point where a significant number of our people have to make that decision, we are in serious trouble. And too many have to make it every day, anyway, because they can't afford child care; or because of the burdens of the basic cost of raising their children in dignity and good health imposed on their limited ability to earn money, even in this prosperous economy. And that's the thing I want to focus on today, because I think when the American family is doing well, the family of America does well.

In The State of the Union address, ~~I will put forth my last, but still a new agenda, rooted in responsibility, designed to create a wider, stronger, more inclusive American community, and to create new opportunity. Today, I want to talk about one important element of the new opportunity agenda.~~

We know that we are now in a position to do more to create opportunity or, as Senator Lieberman and Al From say, to expand the winner's circle -- to include men, women and children still at the margins of society who are willing to work and ought to be rewarded for it.

The ideas that I will advance in the State of the Union will be built on what we have been talking about since 1992, advancing our understanding of what opportunity means in the Information Age. For example, once textbooks were central to a child's understanding in education; today, computers are. Once, a 9th grade education was all anyone needed for a job, then a high school education; today, the only people who have good chances of getting jobs which will grow over time in income, over a longer period of time, are those who have at least two years of some type of post-high school education and training.

Our new opportunity agenda tries to take account of these new demands, but also the new pressures on working families, including the need for quality, affordable child care and the importance of being able to access health care.

The main idea here is still the old idea of the American Dream, that if you work hard and play by the rules, you ought to have a decent live, and a chance for your children to have a better one. That's been the basic goal of so much of what we've done, from the earned income tax credit to the empowerment zone program the Vice President ran, to the micro-credit program the First Lady's done so much to advance, to increasing the minimum wage, to greater access to health care and child care, to the partnerships that we have made with so many American businesses to help people move from welfare to work.

Now, I will have more to say about all these other ideas later. But I just want to talk a little bit today, in closing, about what we should do with the earned income tax credit -- something that you've heard Jessica say has already helped the Cupp family to raise their children, but something that is not as helpful now as it was when they first drew it.

In my State of the Union address, and in my budget for 2001, I will propose a substantial increase in the earned income tax credit. It's a targeted tax cut for low-income working families.

In 1992, as has already been said, one of the first things that I did as President was to ask Congress to dramatically expand the EITC. It has been on the books for some time; it had been broadly supported by Democrats and Republicans. President Reagan had hailed it. Everybody seemed to like it, because basically it involved a tax credit for people who were working and had children -- almost all of them have children -- and who just didn't have enough to get along on.

It is not just another acronym. The EITC was anonymous, I think, in America until a previous Congress tried to do something to it, and then all of a sudden it became something we all knew about and liked, which was immensely gratifying to me. But the EITC stands for, again I will say, the E is about earned, it's about working, it's about a fundamental American value, it's about rewarding people who do what they're supposed to do.

I think every one of you, when Jessica was up here talking, describing the conditions of their children's birth, their work histories, how they had worked hard to provide a decent home for their kids -- every one of us was sitting here pulling for them. Every one of you identified with their struggle. Every one of you could imagine what it would have been like to be the father in the delivery room and see these kids come out, one, two, three. (Laughter.)

Every one of you. That's what this country is all about -- the dignity, the struggles, the triumphs, the joys of daily life that we all share. And I think our government has a responsibility, as part of our basic compact with the American people, to make sure that families like the Cupps find that work does pay; to make sure that we reward work and that we enable them to succeed at their even more important job, raising those three little girls. It is still, I will say again, society's most important job. And I suspect that every parent in this room today agrees with me about that.

So these incentives to work are just as important to how life plays out for millions of Americans, as the rate of economic growth, or interest rates, or debt reduction. Studies from Harvard to Wisconsin have confirmed that the EITC is an enormously powerful incentive to work. It encourages people who are on welfare, who are unemployed, to move into the work force, even in modest-paying jobs, because their income will be, in effect, increased; they'll get a check at the end of the year as a credit against the taxes they pay, because they're working hard for modest income.

Now, in 1998, the EITC helped more than 4.3 million people make that move. That's double the number that were being helped in 1993, when we advocated the expansion. This tax credit is a major reason, along with the strength of the economy, the rise in the minimum wage, and the movement from welfare to work, that there are fewer people in poverty today than there have been in over 20 years. It explains why the child poverty rate is lower than it's been in over 20 years, and why poverty among African-American children is the lowest on record, and the lowest among a quarter century among Hispanic children.

Now, because we know this works, and we know there are still far too many families and children in or near poverty, and far too many people struggling and working, having a tough time taking care of their children, we know there is more to do. Today, I am proposing the following changes in the EITC.

First, I want to eliminate the marriage penalty exacted by the EITC to make sure that the tax credit rewards marriage and family just as it rewards work. It's a big problem. (Applause.)

Second -- the next two are very important to the Cupp family; they will affect all the families in our country like them, and there are a lot of them -- I am proposing to expand the EITC for families with three or more children.

The pressures on these families rise as their ranks increase. Twenty-eight percent of them -- let me say that again -- 28 percent of them are in poverty, more than twice the rate for smaller families. Our plan would provide these families tax relief that is up to $1,200 more than what they now receive. The way the EITC works now, it's a really good deal if you're working for a very modest income and you have two kids. But the benefits drop off dramatically after that. And I don't think we ought to make these folks choose among those little girls and others in their situation.

Now, the third thing we're going to do is to give more people more incentives to continue to work their way into the middle class. You heard Jessica say that when her husband's income reached $30,000, the EITC benefit dropped off dramatically. We set these ceilings back in 1993, and they haven't been really adjusted since then. What we want to do now is to phase the EITC credit out more gradually. It has to be phased out, but if it's phased out too sharply, then there is, in effect, for families with a lot of kids, almost no net gain to earning a higher income. And if he's going to work longer than 40 hours a week, and he's going to miss more hours at home with those kids, then we want him to receive the benefits of that. And again, I say, this is not just about this one family; they represent millions of people in this country.

So that's what we're going to do -- eliminate the marriage penalty, increase aid to families with three or more kids, and phase the credit out more gradually, so there's always an incentive to keep working to improve your income and your ability to support your children.

Now, for families like the Cupps, these new initiatives would mean an additional tax credit of $850. That would help them to provide for their children or own a home or buy a car that makes it easier to get to work, and, therefore, to work.

We dedicate $21 billion to these priorities over 10 years, increasing our investment in people without in any way undermining our commitment to a balanced budget and to getting us out of debt over the next 15 years.

Opportunity for all is a measure of not only how far we've come and where we're going, but what kind of people we are. Robert Kennedy once said our society, all our values are views of each other and our own self-esteem. The contribution we can make to ourselves, our families and the community around us -- all these things are built on the work we do.

-MORE-

The young people here, the students here, are probably beginning to think about the work you will do. I hope because you're getting a good education, more than anything else, you'll be able to do something that you love. And if you do something that you love, I believe that you ought to be properly rewarded for it, and that you ought also to have the freedom to raise a strong family while you're doing it. That's what today is all about.

And if there is anything that America ought to be about in the 21st century, it ought to be about finally, really creating opportunity for all, a responsible nation of all citizens, and a community in which everyone has the chance to do the most important work of all: raise strong, healthy, happy children.

Thank you very much. (Applause.)

END 2:12 P.M. EST

Gene B. Sperling

The Clinton Administration's Anti-Poverty Agenda
Remarks to the National Press Club

Revised Text

October 1, 1999

defense of why deficit reduction helped

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I. INTRODUCTION

I wanted to use the occasion of the release of the new Census numbers on income and poverty to do an overview of the effectiveness of the Clinton-Gore Administration's policies at addressing one of the most important missions of any Administration: reducing poverty and increasing opportunity for our most disadvantaged families.

In a nutshell, the record is one of significant progress in the right direction and a frank recognition of the significant distance still left to travel. I believe a fair analysis must make both of those points.

Sometimes in politics when there has been a significant accomplishment, the White House or a political party takes a victory lap. There is no cause for that here. But there is cause for understanding that significant progress has been made – and a reason to understand what has worked and what still needs to be done.

Recognizing that there has been progress – even stunning progress – does not and should not dull our sense of concern over the distance remaining. Take one example: poverty among African-American children was 46.1 percent in 1993. Yesterday, we learned it has fallen to 36.7 percent. That represents a 20 percent drop in African American child poverty – the lowest on record. On one hand, this is an enormous achievement. On the other hand, the fact that more than one-third of African American children, more than 5 million, are being raised in poverty stands as one of the most disturbing and disappointing facts in American society.

From the 1970s to the early 1990s, the Nation witnessed a slowdown in growth and a widening of inequality. The result was that the incomes of the bottom sixty percent of Americans fell, after adjusting for inflation, while the poverty rate rose. In the last several years, the economic performance of the Nation has improved substantially, with strong growth, low unemployment, low inflation, and low interest rates. It is important to recognize that the economic policies and excellent economic performance of the Nation over the last several years has brought gains to all segments of society and stemmed the long rise of economic inequality. This can be missed when simply looking at trends over 20-25 year periods.

From 1993 to 1998, poverty has fallen across the board and incomes have risen for each and every income group. Consider the following ~~(see Tables 1-4 at the back for more detail)~~:

- The poverty rate has fallen from 15.1 percent in 1993 to 12.7 percent in 1998, lifting nearly 5 million people out of poverty.
- Between 1993 and 1998, the poverty rate has fallen by 15 percent or more for all persons, African Americans, Hispanics, children, African American children, Hispanic children, single mothers, and many other groups. The poverty rate is now the lowest on record for African Americans, African American children, Hispanic

children, single mothers, African American single mothers, and Hispanic single mothers.

- At the same time, incomes have grown by 9.9 – 11.7 percent for every quintile of the income distribution. For the bottom three quintiles, this is the strongest growth since at least the 1970s. The 10.3 percent increase in incomes for the bottom quintile over the last 5 years represents a particularly dramatic turnaround from the 4.4 percent decline between 1981 and 1993.
- Over the last 5 years typical families have seen their income rise by 12.1 percent and African American families have seen their incomes rise by 21.0 percent. That represents more than $5,100 in income for the typical African American family.
- ~~In 1998, the Earned Income Tax Credit (EITC) lifted 4.3 million people out of poverty -- twice the number of people lifted out of poverty by the EITC in 1993.~~

II. WHY MACROECONOMIC POLICY MATTERS FOR POVERTY REDUCTION

Despite this impressive progress, a common critique of the Administration's record goes something like this: The President came into office with an ambitious investing-in-people agenda that might have addressed poverty, but ultimately he had to sacrifice this agenda to address the worsening deficit projections.

Behind this critique lies two false premises. First, as I will establish, this President has fought – successfully – for significant investments in anti-poverty initiatives. The second, and the most fundamental misconception, is that only significant government investments and not sound fiscal and macroeconomic policies are tools to reduce poverty. However much any of us believe in the power of wisely-crafted public policies to invest in people, no one should be blind to the fact that the experience of the last 6 years demonstrates definitively that macroeconomics and fiscal policy do matter for poverty reduction ~~and that they~~ matter enormously.

The old paradigm assumed that fiscal discipline would hurt poverty reduction efforts for two reasons: one, public investments would have to be sacrificed or put on hold in the name of deficit reduction and two, deficit reduction would lead to short-term economic contractions that could freeze or hurt economic opportunities for poorer Americans even if in the long-run it led to savings, capital formation, and faster productivity growth.

The new fiscal paradigm of the last six years tells a rosier story – even and especially for the short-term. Serious debt reduction eliminated what Bob Rubin called the "deficit premium," leading to a virtuous cycle of lower interest rates and higher investment that increased capacity enough to allow for continuing expansion without inflation. Experts from Alan Greenspan to Paul Volcker credit the fiscal deficit reduction since 1993 as a key component of our near record expansion.[1]

[1] Alan Greenspan, Humprey-Hawkins testimony to House Banking Committee, February 20, 1996 and Paul Volcker, in *Audacity Magazine*, Fall 1994.

In short, strong deficit reduction helped create the conditions for an exceptionally strong, steady, and long economic expansion that has, in turn, led businesses to seek out more and more minority and economically-disadvantaged Americans who have traditionally been left behind, ignored, or at least left on the fringe of the labor market.

As the expansion has lengthened and unemployment has fallen, expanding businesses in search of workers have had to recruit and offer training to people they would never even have looked twice at in a shorter or less robust expansion. Therefore, to the degree that deficit reduction has been integral to the high investment / low inflation environment necessary to allow such a sustained expansion, and such significant hiring of disadvantaged workers, one must recognize the integral contribution that fiscal discipline has made to reducing poverty and increasing economic opportunity. Consider the following:

African American unemployment fell from 14.3 percent at the end of 1992 to 7.8 percent last month – and this year reached the lowest level on record. Over this period, Hispanic unemployment fell from 11.5 percent to 6.5 percent, the lowest on record. At the same time, the expanding economy, and the policies I will discuss in a moment, have brought new workers into the economy. The labor force participation rate of single mothers rose from 73.7 percent in 1992 to 84.2 percent in 1997. At the same time, the percentage of single women with children who received welfare fell from 19.3 percent in 1992 to 8.3 percent in 1997.[2]

Furthermore, the low unemployment rate may be creating a virtuous employment circle. The European economies saw large increases in their unemployment rates in the 1980s translate into what appears to be permanently higher levels of unemployment, a process some economists have called "hysteresis."[3] One explanation for why this might happen is that high unemployment rates lead to people being unemployed for longer periods, during which time they start to lose both their productive skills and their ability to search for jobs effectively. As a result of these changes, the unemployment rate could stay permanently higher. Although the definitive evidence for the United States is not in yet, there is good reason to hope that if we keep the expansion going with so many previously disadvantaged and unemployed workers in the workforce for so long, we will create a far larger pool of ready and able American workers for years to come.

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[2] Council of Economic Advisers, "Good News for Low-income Families: Expansions in the Earned Income Tax Credit and the Minimum Wage," *A report by the Council of Economic Advisers*, December 1998.

[3] Olivier Blanchard and Lawrence Summers, "Hysteresis and the European Unemployment Problem." In Stanley Fischer, ed., *NBER Macroeconomics Annual*, Vol 1, 1986, MIT Press: Cambridge.

III. WHY MACROECONOMIC POLICY IS NECESSARY, BUT NOT SUFFICIENT

However flawed the premise that fiscal discipline has no impact on poverty reduction, the notion that there should be a sole and exclusive focus on deficit reduction is equally if not more flawed. Ensuring that growth is shared and inclusive cannot simply be assumed.

Growth has not always led to higher incomes for the poorest and falling poverty rates for the Nation. After observing the poverty rate rise and incomes at the bottom fall despite the expansion of the 1980s, David Cutler and Lawrence Katz published a paper arguing that "a long-standing, positive relationship between the economic well-being of the poor and the growth of the economy has changed."[4]

However, in the 1990s, falling unemployment rates and higher growth have once again led to falling poverty rates and higher incomes for all Americans. An important part of this development has been the President's policies that helped give people the tools, incentives and opportunities so that they can all benefit from, and contribute to, the strong economy.

While fiscal discipline and the resulting low-interest rates can fund investment growth and give more disadvantaged Americans job opportunities, they cannot ensure that a generation of young children won't be lost to poor schools, poor nutrition, and crime and drug ridden opportunities. Fiscal discipline may lead businesses to help some Americans who have fallen behind to get new training opportunities, but new technological and capital investments without a skilled and motivated workforce is like a bat without a ball. Necessary but not sufficient.

balance b/w fisc disc. + invest

In the new economy, productivity growth is being driven by the high technology sector. The potential of the new economy is to provide rising wages for everyone. But the risk is that, without proper investments in people, the new economy has the potential to create a skills gap, between those who know how to take advantage of our new technologies and those who do not.

We have already begun to see the emergence of a skills gap. Improvements in technology and other changes continue to increase the gap between the wages of college educated workers and those with only a high school degree or less. In 1998, the average college graduate made 75 percent more than the typical high school graduate, compared to only 46 percent more in 1980.[5] As Katz summarized, "these findings imply that physical capital and new technologies are relative complements with more-skilled

[4] David Cutler and Lawrence Katz, "Macroeconomic Performance and the Disadvantaged." *Brookings Papers on Economic Activity* 2:1991.
[5] Lawrence Katz, "Technological Change, Computerization, and the Wage Structure." Harvard University and NBER, September 1999.

workers. Such evidence is certainly consistent with the view that the spread of computer technologies may have contributed to rapid increases in the demand for skill in recent decades."

The skills gap does not just matter for wages, but for unemployment as well. In the last 7 years, the unemployment rate for high school dropouts has averaged 9.3 percent, while the unemployment rate for college graduates has only averaged 2.5 percent.

Study after study has documented that each additional year of a college can increase a worker's future earnings by 5 to 15 percent with evidence that such returns have risen in recent years.[6] Caroline Hoxby, for instance, finds that the return to a college education was 12 percent from 1992 to 1996, compared to 5 percent from 1972 to 1978.[7]

That is why even in a period of fiscal contraction, a sound growth strategy must not only bring down deficits, but also increase educational investments and work incentives. The 1993 Budget was an example of such a balanced approach. While it called for $505 billion in deficit reduction, the total gross savings were over $600 billion. In other words, the 1993 budget made over $100 billion in additional tough choices so that ~~the largest EITC expansion ever could be passed and solid investments could be made in Head Start and the Special Supplemental Income Program for Women, Infants, and Children (WIC) -- even in the midst of deficit reduction.~~ Indeed, dropping the President's bold increase in the EITC could have allowed the President to avoid his most politically costly decision – raising the gas tax by 4.3 cents. Yet the new Census data show that there are at least 2.3 million fewer Americans in poverty because the President expanded EITC, made tough decisions, and chose a balanced approach over a sole focus on deficit reduction.

Contrary to any notion that poverty reduction initiatives were put on hold until the budget was balanced, the President has sought the right balance between debt reduction and creating and expanding upon programs that enhance economic opportunities for poorer Americans. The President and his Office of Management and Budget Directors from Panetta to Rivlin to Raines to Lew have all battled hard with yearly appropriations negotiations to protect and strengthen key anti-poverty programs. Even in the midst of the dramatic deficit reduction we have seen over the past 6 years, President Clinton has successfully increased funding for several anti-poverty programs and indeed has passed several new economic opportunity initiatives.

As a result, today we spend substantially more on a wide range of poverty reduction programs (see Table 5 for numbers and Appendix 1 for selected details). To name one example, we now spend nearly $3 billion more each year for Head Start and

[6] See Thomas Kane and Cecilia Rouse, "Labor Market Returns to Two and Four-year College: Is a Credit a Credit and Do Degrees Matter?" *American Economic Review*, 85:3, 1995 and Orley Ashenfelter and Alan Krueger, "Estimates of Economic Returns to Schooling From a New Sample of Twins." *American Economic Review* December 1994.

[7] Caroline Hoxby, "Tax Incentives for Higher Education." *Tax Policy and the Economy 12* 1998 MIT Press: Cambridge.

WIC than we did in 1993 even as discretionary spending as a percentage of our economy has been reduced from 8.4 percent in 1993 to less than 6.6 percent in 1999.

The 1997 balanced budget agreement – although perhaps best known for the nearly half trillion in entitlement savings over 10 years and significant tax cuts – had more than $70 billion over 5 years to help families making less than $30,000 (Appendix 2). Indeed, the last issue that held up the final agreement was the President's insistence on getting $24 billion over 5 years and $48 billion over 10 years for health insurance for children under 200 percent of the poverty line and his opposition to Republican proposals that would have denied the benefits of the child tax credit to families with more than half of the 13 million children on the EITC. Ultimately, because of the President, families earning less than $30,000 got an $18.5 billion tax cut from the child tax credit. In addition, in 1997 the President fought for and secured $12 billion to restore disability and health benefits to 350,000 legal immigrants, $3 billion for welfare to work programs, and the largest Pell Grant increase in at least two decades.

Likewise, the President has proposed and signed an impressive number of new initiatives that either focus on lower income Americans or are at least targeted to disproportionately benefit more economically-distressed Americans. One can see a complete list of initiatives in Appendix 3. Initiatives that focus on lower-income people include:

- Empowerment Zones, Community Development Banks, Community Reinvestment Act reform, Child Health Initiative, Welfare to Work programs, Brownfields, GEAR-UP, Youth Opportunity Grants, and Individual Development Accounts.

Other programs that disproportionately target low-income Americans include the Reading Excellence program and the Technology Literacy Challenge.

IV. BURDEN OF FISCAL UNCERTAINTY SHOULD NOT FALL ON THE POOR

In making the difficult choices between fiscal discipline and investments, any government should be guided by the principle that the burden of fiscal uncertainty should never fall first on the poor. This is not to say that low-income programs should never bear any burden of fiscal discipline – but it should be a last resort – not a first. This principle is based not just on equity, but also on the principle that any government should feel concern about imposing irreparable damage in the name of deficit reduction – in case the altered budgetary projections ultimately make cuts unnecessary. Even if one believed that balancing the budget should be the sole motivation of fiscal policy, those who called for major cuts in Medicaid, Food Stamps, and the EITC in 1995 turned out to be asking for a painful sacrifice from the poorest and most politically powerless population that was proven to have been unnecessary. On the other hand, freezes or even cuts to those Americans most able to handle them are easily reversed when times improve.

Reward work / EITC

V. REWARDING WORK

The Clinton-Gore focus on poverty reduction has been very much grounded in a vision of rewarding work for poorer families. This coherent and comprehensive vision is a consistent strand running from sections of Putting People First to a comprehensive set of policies to reward work.

Economists are in strong agreement that lower income Americans are quite responsive to both economic incentives to enter the workforce or to disincentives that punish work efforts. In the past, a single mother who wanted to work risked losing health care for her children, and faced large child care, transportation, and clothing costs. At the same time, if this single mother was on Aid to Families with Dependent Children (AFDC), she would face one-for-one reductions in welfare payments for each dollar she earned above a relatively small amount. These child care, health care, and transportation costs, together with AFDC, served as a prohibitive tax on work for too many poor Americans.

The Clinton-Gore agenda has been to reward work and to launch an all-out assault on such work disincentives through measures from expanding the EITC to raising the minimum wage to welfare reform to expanded children's health insurance to greater child care.

Expanding the EITC and Raising the Minimum Wage: Eliminating Poverty For Full-time Working Families With Children

When he was running for office in 1992, then Governor Clinton called for increases in the minimum wage and expansions of the EITC in furtherance of his goal that no full-time working parent should have to raise their child in poverty. Consider what this has meant for our most hard-pressed working families. A working parent with two children earning the minimum wage in 1993 made $10,569 with the EITC (in 1998 dollars), well below the poverty line. With increases in the EITC and minimum wage, that same family in 1998 is above the poverty line – making $13,268 – a 27 percent inflation-adjusted increase in their standard of living.

Indeed, both Census data and academic studies show how powerful the impact of the EITC has been. The latest poverty statistics from the Census provide alternative measures of poverty with and without the EITC (see Tables 6 and 7). They demonstrate that in 1998, 4.3 million people were raised out of poverty by the EITC – of which more than half were children. This is an increase of 2.3 million over the number of Americans lifted out of poverty by the EITC in 1993. The result suggests that more than one-quarter of the reduction in poverty between 1993 and 1998 (7.7 million people according to the poverty measure that includes the EITC) is directly attributable to the expansion of the EITC.

In reality, the benefits of this tax credit have probably been even greater than these simple statistics suggest. There is now an increasing academic literature confirming that the EITC has been effective in bringing people, particularly single women, into the workforce:

- Liebman and Eissa find that the EITC significantly increases labor force participation among single mothers, especially less educated women. Dickert, Hauser, and Scholz present findings consistent with this, predicting that the 1993 EITC expansion would induce 516,000 families to move from welfare to work.[8]
- Partly as a result, 84.2 percent of single mothers were in the labor force in 1997, up from 73.7 percent in 1992.

The minimum wage has also played an important role in increasing the return to work and expanding labor force participation. In the past, there has been a concern that raising the minimum wage created a trade-off between higher wages and lower employment. A series of studies by David Card and Alan Krueger, however, debunked this premise, showing that higher minimum wages could enhance the income of working people while maybe even increasing employment.[9] At the same time, they showed that low-income families receive most of the benefits of higher minimum wages. This is especially true if one takes into account recent research at the Urban Institute and Council of Economic Advisors which shows the interaction of the minimum wage with the EITC and their effectiveness in moving people from welfare to work.

these policies complement e/o

A study by Mark Turner of the Urban Institute and Johns Hopkins University indicates that increases in the minimum wage can create an important incentive to move from welfare to work.[10] He found that raising the minimum wage by 50 cents would lead to a 1.3 to 2.5 percentage point decrease in the welfare rolls, as between 97,000 and 187,000 women chose to move from welfare to work. This finding is consistent with a recent study by the Council of Economic Advisers which found that the expansion of the minimum wage explained between 10 and 16 percent of the decline in welfare caseloads between 1996 and 1998.[11]

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[8] Nada Eissa and Jeffrey Liebman, "Labor Supply Response to the Earned Income Tax Credit." *Quarterly Journal of Economics*, 111(2) 1996, Bruce Meyer and Dan Rosenbaum, "Welfare, the Earned Income Tax Credit, and the Employment of Single Mothers." Joint Center for Poverty Research Working Paper May 1998 #2, and Stacy Dickert, Scott Houser, and John Karl Scholz, "The Earned Income Tax Credit and Transfer Programs: A Study of Labor Market and Program Participation." *Tax Policy and the Economy 9* 1995 MIT Press: Cambridge.
[9] David Card and Alan Krueger, *Myth and Measurement*, Princeton: Princeton University Press, 1995.
[10] Mark Turner, "The Effects of Minimum Wages on Welfare Recipiency," Joint Center for Poverty Research Working Paper July 1999 #4.
[11] Council of Economic Advisers, "The Effects of the Economic Expansion on Welfare Caseloads: An Update." *A report by the Council of Economic Advisers* August 3, 1999.

Health Care, Child Care, and Welfare Reform: Removing the Disincentives to Work

Health Care

Limited access to health insurance in entry-level jobs – as well as poor health to begin with – can discourage work. Historically, government assistance in providing affordable, accessible health insurance was limited to poor, single-parent families receiving welfare. As a result, work would generally end Medicaid coverage – keeping many people on the welfare rolls out of fear of losing their health coverage.[12] This can be an especially serious problem because many low-wage jobs lack employer-sponsored health insurance, many Temporary Assistance to Needy Families (TANF) parents have health problems, and the fact that uninsured children typically have more sick days at school.[13]

Clearly, passage of some variant of the President's health care plan in 1994 would have been a major pro-work, anti-poverty step. Since that didn't happen, the President has focused on targeted policies to achieve similar goals. Three major policy initiatives have provided access to affordable health insurance to low-income working families. First, the President and advisors such as Secretary Shalala and Bruce Reed have worked to de-link Medicaid from welfare program, making Medicaid accessible to working as well as poor families. This has been accomplished within the context of welfare reform in 1996, but also before that through state waiver programs and aggressive administrative action. This approach appears to be working, as can be seen in one study which found that the proportion of Medicaid-enrolled children with an unemployed parent fell from 75 percent in 1987 to 47 percent in 1996.[14]

health + child care, WTW

Perhaps the most important step was the Children's Health Insurance Program (CHIP) – the largest children's health care investment since the creation of Medicaid in 1965. This program is targeted at working families who lack health insurance for their children but have too much income to qualify for Medicaid. Too many of these parents skip work to care for children who are sick but lack access to doctors or needed medicines. CHIP was created in 1997 with bipartisan Congressional support at a cost of $24 billion dollars over five years. To date, about 1.3 million children have been enrolled in state programs, all of whom come from working families – a number that is expected

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[12] See Robert Moffitt and Barbara Wolfe, "The Effect of the Medicaid Program on Welfare Participation and Labor Supply." *Review of Economic Studies*, November 1992 and Aaron Yelowitz, "The Medicaid Notch, Labor Supply, and Welfare Participation: Evidence from Eligibility Expansions." *Quarterly Journal of Economics* 110(4) November 1995 for two good studies documenting this point.

[13] One study finds that only about 43 percent of people in near-poor families have employer-sponsored insurance (O'Brien E; Feder J. (May 1999). *Employment-Based Health Insurance Coverage and Its Decline: The Growing Plight of Low-Wage Workers.* Washington, DC: The Kaiser Commission on Medicaid and the Uninsured.). It may be worse for people leaving welfare, with one study finding that less than one in four received health insurance on the job: Loprest P. (1999). *Families Who Left Welfare: Who Are They and How Are They Doing?* Washington, DC: Discussion Paper: Assessing the New Federalism.

[14] Banthin JS; Cohen JW. (August, 1999). Changes in the Medicaid Community-Based Population: 1987-96. Rockville, MD: Agency for Health Care Policy and Research. MEPS Research Findings No. 9 AHCPR Pub. No. 99-0042.

to double by September 2000.[15]

Finally, the President has taken an initial step – and continues to push for legislation – that ensures that people with disabilities are not kept from productive employment by their fear of losing their health insurance. In 1997, the President created an option that would allow people with disabilities who have income below 250 percent of poverty to buy into Medicaid. However, we believe this doesn't go far enough. The Work Incentives Improvement Act, which was funded in the President's FY 2000 budget and has unanimously passed the Senate, would take additional steps to ensure that no person has to choose between work and health coverage.

Child Care

Research shows that women are highly responsive to the costs of child care in making decisions to work. A recent National Bureau of Economic Research working paper finds that if the costs of childcare could be lowered by 50 cents per hour, the result would be an 18 percent rise in labor force participation by unmarried women with children and a 39 percent rise for unmarried high school dropouts with kids.[16]

Under the Clinton-Gore Administration, federal funding for child care has increased by 80 percent, helping parents pay for the care of about 1.25 million children out of the 10 million that are eligible. The 1996 welfare reform law increased child care funding by $4 billion over six years to provide child care assistance to families moving from welfare to work. Last year, the President succeeded in securing $140 million in new funds for after-school care and $173 million for child care quality activities. Over the next five years, the President has proposed to expand child care to another 1.15 million children from low-income families.

Welfare Reform

The President's health care and child care initiatives have been an integral part of his strategy to make welfare reform work by providing people with opportunities to move into the workforce. The President's efforts began in the first days of the Administration, with the Secretary of Health and Human Services granting waivers to 43 states between 1993 and 1996 to try a broad range of experiments to help provide an incentive for people to move from welfare to work. These measures included "sticks" like time limits and work requirements, as well as incentives like allowing welfare recipients to keep more benefits when they went to work or to exclude items like cars when calculating their assets for the purposes of program eligibility.

Welfare reform in 1996 pushed this further, abolishing AFDC and replacing it with TANF – a new program based on block grants with time limits and a wide latitude

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[15] Smith V. (July 30, 1999). Enrollment Increases in State CHIP Programs: December 1998 to June 1999. Washington, DC: The Kaiser Commission on the Future of Medicaid and the Uninsured.
[16] Patricia Anderson and Philip Levine, "Child Care and Mother's Employment Decisions." *NBER Working Paper No. W7058* March 1999.

for states to design their own rules. One consequence has been the proliferation of rules that allow people to continue to receive benefits when they first work and other incentives like childcare, transportation, reimbursement of work-related expenses, and earnings supplements. The result has been a powerful incentive for people to move from welfare to work – with evidence documented in one study indicating that measures like these increased the employment rate by 2.8 to 11.8 percentage points in different experiments across the United States and Canada.[17]

Welfare reform is working. Welfare rolls are down by nearly half to their lowest level in 30 years, nearly four times more of those on welfare are working, and the employment rate of people receiving welfare in the previous year has increased by 70 percent. All fifty states are meeting the law's overall work requirement.

Recent studies by the Urban Institute, the General Accounting Office, and others have documented that the vast majority of recipients leave the rolls for jobs.[18] The recent poverty statistics bear witness to the tremendous gains that have been made by single mothers as a result of the wide-range of policies I have discussed: poverty rates for single women with children have fallen from 46.1 percent in 1993 to 38.7 percent in 1998 – a 16 percent decline.

At the same time, we cannot let ourselves lose sight of the fact that the job is not done. More still needs to be done for families struggling to balance childcare needs for jobs. More needs to be done to ensure that the many people who need and are eligible for food stamps and Medicaid actually sign up for these programs. And we need to continue monitoring to ensure that people are indeed leaving welfare for good jobs.

VI. THE CLINTON ECONOMIC OPPORTUNITY AGENDA: LIFTING UP PEOPLE AND PLACES

The most frustrating and frequent debate in policy circles on economic development is whether the focus should be on empowering people or places. The President's policies and common sense dictate a focus on both.

As I will discuss, policies that give people the skills or mobility to move to jobs or homes in other neighborhoods can be quite successful in creating opportunity and a better, safer standard of living. Yet these strategies only confirm that neighborhoods and schools matter – it hardly seems right to rely only on moving people out of poor neighborhoods and into better neighborhoods without any effort to strengthen the distressed neighborhoods where people currently live.

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17 Rebecca Blank, David Card, and Philip Robins, "Financial Incentives for Increasing Work and Income Among Low-income Families," Joint Center for Poverty Research Working Paper February 1999 #1.
18 Pamela Loprest, "Families Who Left Welfare: How Are They Doing?" Urban Institute Discussion Papers 99-02, 1999 and General Accounting Office, "Welfare Reform: Information on Former Recipients Status," April 1999.

When the President and the Vice President ran for office, there was an increasingly counter-productive tug-of-war between government and laissez-faire approaches to our Nation's struggling urban and rural communities. The President and Vice President believe that there is a third way – an activist effort by government to bring private sector capital, free enterprise and entrepreneurial activity to our nation's underserved areas.

In order to accomplish this goal and breathe life into their third way vision, President Clinton and Vice President Gore set out in 1993 to put in place a comprehensive community empowerment agenda. Among other things, this agenda has included the creation of Empowerment Zones and Enterprise Communities, the establishment of the Community Development Financial Institution Fund, the Department of Housing and Urban Development's Economic Development Initiative, reform of the Community Reinvestment Act regulations, a greater commitment to affordable housing, and the New Markets Initiative.

To focus private and public sector resources and encourage local leadership on transforming distressed communities, this Administration created the first-ever federal Empowerment Zones and Enterprise Communities (EZs and ECs). Under the leadership of Vice President Gore, as Chair of the Community Empowerment Board, we now have designated two rounds of Empowerment Zones – 24 urban and 8 rural ones – and 115 additional Enterprise Communities, which are helping bring growth and economic opportunity to some of the most economically-distressed communities in our nation.

This approach has proven successful. Early reports demonstrate that Round One EZs are making major strides toward accomplishing their objectives. To date, Empowerment Zones/Enterprise Communities federal seed money has leveraged over $10 billion in additional public and private sector investment in community revitalization efforts.[19] One study from the Rockefeller Institute labeled the EZ initiative "among the most significant efforts launched by the federal government in decades on behalf of this nation's distressed inner cities and rural areas," and another report by Standard and Poors stated that "When successful, such (EZ) efforts can contribute to the improvement of a local economy and lead to an improvement in an issuer's credit rating,"[20]

To encourage the development of private lending and investment institutions focused on low- and moderate-income communities, this Administration has through the creation of a Community Development Financial Institution (CDFI) Fund made over $300 million in investments, grants, and loans to Community Development Financial Institutions and mainstream financial institutions, helping to support a network of institutions that provide capital to economically-distressed communities. A study of the

[19] 1998 aggregate numbers from the HUD and USDA Performance Measurement Systems, which rely on self-reporting by the EZs and ECs

[20] Nelson A. Rockefeller Institute of Government, "Empowerment Zone Initiative: Building a Community Plan For Strategic Change – Findings From the First Round of Assessment" 1997 and Standard & Poor's "Credit Week Municipal," December 22, 1997. For other studies, see GAO, "Status of Empowerment Zones." GAO Report, December 1996, and Price Waterhouse, "The Urban Empowerment Zones: Highlights from the First 18 Months." September 1996.

first year of the CDFI Fund awards found that every $1 of Fund investments leveraged nearly $17 in non-federal investments.[21]

To spur the development of neighborhood transforming economic development projects, this Administration, under the leadership of Secretary Andrew Cuomo, established the Economic Development Initiative (EDI), which combines grants and low-interest loans to leverage private investment for economic development. Over the past 5 years, $3.5 billion in EDI loan commitments have been made – these will create an estimated 300,000 jobs in low- and moderate-income communities during the life of the EDI program.[22] As part of the EDI program, the Department of Housing and Urban Development (HUD) has launched the Community Empowerment Fund Trust, a pilot program which will enable the pooling of loans and the creation of a private secondary market for economic development loans.

To make communities more livable for people and more attractive for economic development, we passed a brownfields tax incentive to encourage private sector help in cleaning up nearly 11,000 environmentally contaminated sites in our inner cities and rural areas, and bringing them back to life – and we asked Congress to make this incentive a permanent part of our tax code. In an effort to expand private investment in affordable housing, we have also made the Low-Income Housing Tax Credit permanent.

To boost additional community development lending by mainstream financial institutions, this Administration reformed the Community Reinvestment Act (CRA) regulations to emphasize performance standards – a move ultimately hailed by the Independent Bankers Association of America as a big step in regulatory burden reduction for community banks.[23] The CRA today encourages financial institutions to provide capital to distressed communities, helping to build homes, creating jobs, and restoring hope all across the country. According to the National Community Reinvestment Coalition, the private sector has pledged nearly $1 trillion in community development loans since 1992 – an amount that represents over 95 percent of all CRA pledges made since the legislation's enactment in 1977. Lending commitments under CRA have increased dramatically from the pre-1993 era, from an average of $2.6 billion per year between 1977 and 1992 to about $180 billion the past 6 years.[24] In 1998, banks made $16 billion in community development loans and $33 billion in small business loans in low- and moderate-income communities.[25] There is evidence that lending to minority and low-income borrowers is also on the rise. From 1993 to 1998, the number of home mortgage loans to African Americans have increased by 87 percent, to Hispanics by 62 percent, to Native Americans by 52 percent and to low and moderate income borrowers by 64 percent.[26] That is why the White House, along with Secretary Rubin and Secretary

[21] Community Development Financial Institution Fund, "CDFI Fund Survey of 1996 Awardees," 1999.
[22] "Consolidated Annual Report To Congress For HUD's Community Development Programs," 1996.
[23] Independent Bankers Association of America, Press Release, April 19, 1995.
[24] April 1999Report by the National Community Reinvestment Coalition, "CRA Dollar Commitments"
[25] Federal Financial Institution Examinations Council Report on CRA, July 29, 1999.
[26] July 29, 1999, Federal Financial Institution Examinations Council Report on Home Mortgage Disclosure Act

Summers, have taken a tough line against any efforts to weaken CRA in financial modernization legislation.

While the current economic expansion is one of the strongest in history, there are still too many communities in our Nation that are defined more by their lack of opportunity than by their prosperity. As our next step, the President this year challenged the private sector to join him in a New Markets Initiative to bring equity capital, jobs, and economic opportunity to America's most underserved urban and rural communities. The New Markets Initiative is designed to spur $15 billion in new investment in low- and moderate-income communities through our New Markets Tax Credit and loan guarantees. The New Markets Tax Credit is worth up to 25 percent of the original investments in a wide range of vehicles and will be available to investment funds, banks and institutions that are financing businesses in low- and moderate-income communities.

The New Markets Initiative also creates America's Private Investment Companies (APIC) – just as America's support for the Overseas Private Investment Corporation helped promote growth in emerging markets abroad, APIC will help encourage private investment in our own country's untapped markets. In addition, the New Markets Initiative involves the creation of another new type of investment vehicle – the New Markets Venture Capital (NMVC) firm. NMVC firms will provide incentives to increase the availability of venture capital in low and moderate-income communities for small businesses. Lastly, under the leadership of Administrator Aida Alvarez, the Small Business Administration has begun a specific initiative to ensure that the existing Small Business Investment Companies program reaches out to low and moderate-income communities.

Government can help provide the tools for businesses to grow through other efforts that are part of the New Markets Initiative, such as BusinessLINC – a program launched by the Vice President and supported by the Business Roundtable -- that encourages mentoring and protégé relationships between small businesses and large companies. These are examples of this Administration's efforts to encourage more private sector investment and partnerships in economically-distressed areas.

VII. NEW DIRECTIONS: INVESTING IN PEOPLE

Investing in people has been a primary focus of the Clinton-Gore agenda from day one. I will not even attempt to catalog everything that the Administration has done – but I do want to point to six areas that we feel are critical to future poverty reduction and are at stake in our current budget battle.

Moving to Opportunity

Research dating back to the Chicago Gautreaux case has shown that poor families who are given the opportunity to move to better neighborhoods have better education and job experiences.[27] New research on HUD's experimental housing mobility program – moving to opportunity – in two separate studies in Boston and Baltimore shows that increased housing mobility brings not only economic opportunity but also a significant reduction in behavioral problems for children, including reduced juvenile arrest rates, injuries, victimization of crime, while having positive health and mental health impacts for parents and heads of households.[28] These are some of the reasons that this President and Vice President believe that Secretary Cuomo's efforts to add 100,000 housing vouchers are a valuable anti-poverty proposal and worth fighting hard for in the current VA-HUD appropriations bill.

Closing the Digital Divide

As our nation seeks to close the race and income gaps that have too often divided us, it's critical that we not allow a new divide. We all know children who have become computer literate at a young age and watched their knowledge accelerate as their older relatives stagnate – still uncomfortable and awkward with the computer age. If we let a generation of middle-class children grow up whizzing from one computer to another while a generation of poorer children stays computer illiterate, we will be sitting by as a new divide helps widen the race and income gap we seek to close.

History shows that public policy can make a difference in determining whether or not the demand for higher-skilled workers creates higher wages across the board or instead leads to increasing wage inequality.[29]

In the first three decades of this century, the United States faced the technological challenge of adapting the economy and society to benefit from the invention of electricity and the spread of mass production. At the same time, the "high school movement" in the United States helped to produce an educated and skilled workforce to meet this challenge. As a result, people had the skills to benefit from the increasingly demanding jobs, resulting in higher wages across-the-board and even a reduction in inequality.[30]

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[27] The two classic studies are by James Rosenbaum: "Black Pioneers — Do Their Moves to the Suburbs Increase Economic Opportunity for Mothers and Children?" *Housing Policy Debate* 2, 1992 and "Changing the Geography of Opportunity by Expanding Residential Choice: Lessons from the Gautreaux Program." *Housing Policy Debate* 6, 1995. David Cutler and Edward Glaeser have shown that a decrease in segregation would eliminate a substantial fraction of the black-white difference in schooling, employment, and single parenthood, see "Are Ghettos Good or Bad?" *Quarterly Journal of Economics* August 1997.

[28] Lawrence Katz, Jeffrey Kling, and Jeffrey Liebman "Moving to Opportunity in Boston: Early Impacts of a Housing Mobility Program." Harvard University, Princeton University, and NBER. September 1999 and Jens Ludwig, Greg Duncan and Paul Hirschfield, "Urban Poverty and Juvenile Crime: Evidence from a Randomized Housing-Mobility Experiment," Joint Center for Poverty Research, Northwestern University and University of Chicago, working paper.

[29] See the discussion in Lawrence Katz, "Technological Change, Computerization, and the Wage Structure." Harvard University and NBER, September 1999.

[30] Claudia Goldin and Lawrence Katz, "The Returns to Skill in the United States Across the Twentieth Century." *NBER Working Paper No. W7126* May 1999.

The question we face today is whether policy can help spur a wave of technology literate workers who can meet the demands of the information economy with broadly shared gains in income. The challenge is significant. Households with incomes over $75,000 are 20 times more likely to be connected to the Internet than the poorest families and nine time more likely to have a computer. Black and Hispanic families are less than 40 percent as likely as white families to have access to the Internet at home.[31]

The President and the Vice President deserve significant credit for seizing on this issue at an early stage. Under their leadership, investment in educational technology has risen by more than 3,000 percent – from $23 million to $698 million through our new Technology Literacy Challenge initiative which asks each state to create a plan to close the digital divide. The E-Rate provides $2.25 billion in discounts to community schools and libraries that want to connect to the Internet – where poorer schools are eligible for 90 percent discounts. Through our technology literacy initiative and E-Rate, nearly $3 billion a year is now being spent to bring technology literacy to all Americans.

This year we are fighting – so far unsuccessfully – to fully fund our next steps and to ensure middle schools have teachers trained in technology and to expand dramatically our Community Technology Centers – to bring computer learning to the places in our poorest neighborhoods most likely to serve disadvantaged young people.

~~Investing in Children From Birth~~

Everything we know about the importance of learning, and everything we know about the exceptionally high poverty rates for African-American and Hispanic children, and everything we believe about ~~the value of a fair start in life,~~ compels us to focus attention on the education and health of a child from the earliest possible time. That's why even in the toughest budget fights, the President has always insisted on budget increases in WIC and Head Start.

As Mrs. Clinton emphasized in her 1997 White House conference on early childhood development, pre-school that begins at age 4 may be too late for America's children. Scientists have determined that the human brain achieves approximately 90 percent of its total growth by age 3.[32] And the data demonstrates that experiences in a baby's earliest months help determine a person's physical and mental health, and ability to learn over a lifetime.

To do this, ~~we have not only expanded Head Start and set a goal of reaching one million participants by 2002 – participation is now at 833,000 – but also have created Early Head Start in 1994 to provide comprehensive early childhood development services for 0-3 year olds.~~

[31] NTIA, "Falling Through the Net: Defining the Digital Divide", July 1999.
[32] Rand Foundation, "Investing in Our Children, What We Know and Don't Know About the Costs and Benefits of Early Childhood Interventions." 1998.

And we've also proposed the creation of a $3 billion Early Learning Fund that would boost community efforts to improve child care for the youngest children through home visitation (where a nurse or trained professional comes in to counsel new parents about development and health issues), parent counseling, efforts to help parents find child care, and a variety of other activities focused on early childhood.

Inspiring Disadvantaged Youths to Go to College and Enabling Them To Finish

We are clearly proud of the efforts we have made through the Direct Student Loan programs, our income-contingent loan-repayment plans, national service, HOPE Scholarships, increases in Pell Grants, and the many other initiatives led by Secretary Riley to open the doors of college to all young and older Americans. This is no doubt a wise public policy investment when we consider that each year that a person from a disadvantaged background goes to college, he or she increase his or her projected lifetime earning by 8 to 15 percent.[33]

Yet, if we are serious about the importance of a college education, we need to do more in two often-neglected areas, the time *before* entry to college and the time *after*. First, although more students are going to college, there are still many from disadvantaged backgrounds that lack the hope, expectations, and incentives to choose college over dropping out. But getting students to enroll in college is only the first step. The second often-neglected challenge is keeping them there, reversing the trend toward greater college enrollment being accompanied by lower college completions.[34]

Mentoring Programs, GEAR-UP, and Preventing Children from Dropping Out

We have too often failed to focus on encouraging adolescents to stay in school and go to college. While excellent programs like TRIO do exist, when one considers the differential between the difficulty of getting dropouts back on track – and the disturbingly high Hispanic drop out rate – and the benefits of higher education, this is an area that deserves considerably more attention from public policy makers.

In seeking to get dropouts back on track it is important to reject the congressional impulse to thinly distribute funds geographically. Instead we have focused on providing concentrated benefits so that enough opportunities are offered in particular neighborhoods so that a dropout who says no to the streets will face some critical mass of peer support instead of ridicule and ostracism for doing the right thing.[35] Our new $250 million Youth Opportunities Act – which Sec. Herman calls the "YO" program – follows that research by concentrating its benefits in 25-30 communities to help 58,000 disadvantaged youth between 14-21 years old. The fact that this has been zeroed out in

[33] David Card, "Earnings, Schooling, and Ability Revisited." Princeton University, Industrial Relations Section Working Paper No. 311, May 1994.
[34] Caroline Hoxby, "Tax Incentives for Higher Education." *Tax Policy and the Economy 12* 1998 MIT Press: Cambridge.
[35] For the importance of these effects, see Anne Case and Lawrence Katz, "The Company You Keep: The Effects of Family and Neighborhood on Disadvantaged Youths." *National Bureau of Economic Research Working Paper 3705*, May 1991.

the House Republican budget is one more reason that overall fiscal policy is not sufficient.

Although the YO program is smart and well-designed, there is also no question that getting young people back on track after they have dropped out has historically been one of the most difficult public policy tasks.

The best approach – confirmed by both research and common sense – is to reach disadvantaged youth at a young age, to provide continuity through one-on-one mentors and role-models, and most of all, to encourage the expectation that they will finish high school and go to college.[36] One striking example comes from a recent study by Public/Private Ventures of Big Brother/Big Sister programs. The results, based on a scientific random experiment, are striking. Children in Little Brother / Little Sister programs were 46 percent less likely to start abusing drugs, 27 percent less likely to start abusing alcohol, 52 percent less likely to skip a day of school, and 37 percent less likely to lie to a parent.[37]

Perhaps even more striking is the success of the Quantum Opportunities Program, a comprehensive program that works with disadvantaged youths from ninth grade through twelfth grade, providing depth of service, continuity, and a sense of community. One study found that students in this program, compared to youths that were not, were more likely to graduate from high school (63 percent versus 42 percent), more likely to attend a four-year college (18 percent versus 5 percent), and less likely to become teen parents (24 percent versus 38 percent).[38]

Eugene Lang's "I Have A Dream" program reaches out to disadvantaged youth at a young age with the promise of college while challenging private sector individuals to play the role of mentors and role models. In city after city, the overwhelming majority of young people in this program graduate from high school despite the fact that they live in neighborhoods where the overwhelming majority of their peers drop out.[39]

Last year, using these programs and research as models and inspiration, the President proposed and signed the new GEAR-UP initiative. GEAR-UP asks colleges to

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[36] For an overview of the research emphasizing these themes see Lawrence Katz, "Active Labor Market Policies to Expand Employment and Opportunity." In *Reducing Unemployment: Current Issues and Policy Options*, Proceedings of a Symposium of the Federal Reserve Bank of Kansas City, August, 1994.
[37] Joseph Tierney and Jean Baldwin Grossman, with Nancy Resch, "Making a Difference: an Impact Study of Big Brothers / Big Sisters." A report by Public/Private Ventures, November 1995.
[38] Andrew Hahn, with Tom Leavitt and Paul Aaron, "Evaluation of the Quantum Opportunities Program (QOP): Did the Program Work?" Brandeis University, June 1994.
[39] Arthur Levine, the President of Teachers College, Columbia University, writes, "The results of Lang's efforts were astounding. Ten years after he first made his promise, 90 percent of P.S. 121 sixth-graders had graduated from high school or obtained a GED degree. (The original estimate, based on prior history, was that at least 75 percent of the students would drop out of school.)" In Arthur Levine and Jana Nidiffer, *Beating the Odds: How the Poor Get into College*, 1996, Jossey-Bass Publishers, San Francisco. For documentation of how the "I Have a Dream" program has improved educational outcomes, see Robert McGrath and Judy Hayman, "The Paterson New Jersey, I Have a Dream Program: Academic Performance and Outcomes." 1999, Fairleigh Dickinson University, Teaneck, New Jersey.

work with non-profits to adopt classes of middle school students from nearby disadvantaged schools and stay with these classes through the end of high school, providing information about college, and one-on-one mentoring with college students or local professionals. Most of all, GEAR-UP gives many young people the gift that many of us were lucky enough to have automatically: the strong and sustained expectation that whatever the temptations of adolescence are to go off track, we would graduate and go to college. The Ford Foundation has highly praised this new initiative and is working with the first partnerships. One of the best things we can do is invest in this type of initiative, a program that gives hope and high expectations to disadvantaged young people. While several Republicans, including Congressman Mark Souder and Senator James Jeffords, joined the White House and Congressman Chaka Fattah in helping to pass this legislation, it was eliminated in the bill voted out of the House Subcommittee on Labor, Health, and Human Services. This happened even as the Administration seeks to increase its funding to help meet the overload of demand expressed in the first competition.

America's Quiet Crisis: Enabling People to Finish College

Although there has been great and deserved focus on getting disadvantaged and minority young people into college, too little attention has been paid to ensure that those young people who enter college – either two- or four-year institutions – stay there. Although the college completion rate has been falling, this quiet crisis has yet to receive the attention that it merits.

Although America has the highest college enrollment rate in the world, its college completion rate is toward the bottom of OECD countries.[40] Roughly one-third of community college students drop out by the end of the first semester – and about one-half leave within the first year. Among four-year students, attrition is highest in the first two years. This problem is particularly acute in certain minority communities. Although Hispanic high school graduates are as likely to attend college as whites, their college completion rates are much lower.[41] 29 percent of African Americans and 31 percent of Hispanics drop out of college after less than one year, compared to 18 percent of whites. 48 percent of African Americans and 50 percent of Hispanics drop out by the end of the first year. And only 11 percent of African Americans and 10 percent of Hispanics finish college, as compared to 24 percent of whites.[42]

This quiet crisis in college education needs more attention from all of us. We need to make it a priority. We need to carefully analyze issues related to college aid and support services, as well as programs around the country that provide intensive summer programs or pre-college education boot camps, to help low-income and minority high school students enter college ready to succeed.

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[40] Organization for Economic Cooperation and Development, *Education at a Glance: OECD Indicators 1998*, OECD: Paris, 1998.
[41] See Philip Ganderton and Richard Santos, "Hispanic College Attendance and Completion: Evidence from the High School and Beyond Surveys." *Economics of Education Review* 14(1), 1995.
[42] U.S. Department of Education, "Trends in Postsecondary Credit Production, 1972 and 1980 High School Graduates." National Center for Education Statistics, June 1990.

Reducing Widow Poverty

While policy makers often celebrate the dramatic reduction in elderly poverty, particularly since the creation and expansion of Medicare, the recent policy debate on Social Security has opened the eyes of many Americans to the fact that within those low elderly poverty rates lie very different circumstances for different portions of the elderly population. While married elderly women for example have extremely low poverty rates of less than 5 percent, the poverty rates for elderly widowed women who often live alone is at a disturbingly high rate of 18 percent.[43]

One of the important reasons for addressing Social Security reform sooner rather than later is not only the opportunity to extend solvency for most of the 21st century, but also to address the flaws in the Social Security system that are certainly contributing to this unacceptable high poverty rate for elderly women living alone.

There are several ideas for how best to address this including proposals to increase the percentage of Social Security benefits that a widow is eligible for after her husband passes away. On a related issue, experts who are examining whether or not the measure of the poverty rate should be altered, have become increasingly concerned that the current poverty rate formula does not adequately account for the huge degree of out-of-pocket health costs that many elderly Americans pay for. If a new standard is devised, the adjustment for the poverty of single elderly women could be even higher, showing again further evidence that comprehensive Medicare and Social Security reform addressing both solvency and poverty-related issues should remain a top priority for Congress and this Administration.

Closing Wealth Inequality Through Universal Savings

Before closing, I want to briefly move from the issue of income and wage inequality to wealth inequality. The gap between the wealth of the rich and poor, like the income gap, is very large. The wealthiest 6 percent of the population have almost half of all of the assets. The typical white (non-Hispanic) family has $73,900 in financial assets, while the typical African American or Hispanic family has only $16,500.[44]

Perhaps even larger is the gap between those who participate in financial markets and save for retirement and those who do not. According to the Department of the Treasury, 73 million Americans workers and their spouses are not covered by any employer-sponsored retirement plan. According to Census data, only 10 percent of the bottom 40 percent of households had IRAs or Keoghs in 1993. Glenn Loury has pointed

[43] National Economic Council, Interagency Working Group on Social Security, "Women and Retirement Security." October 1998.

[44] Based on the Survey of Consumer Finances as discussed in Arthur Kennickell, Martha Starr-McCluer, and Annika Sundén, "Family Finances in the U.S.: Recent Evidence from the Survey of Consumer Finances." *Federal Reserve Bulletin*, Vol. 83, January 1997.

out that only 14 percent of African Americans owned mutual funds in 1994, compared to 41 percent for the population as a whole.[45]

This financial participation gap has been felt especially strongly over the last decade, and particularly over the last several years, as Americans who were fortunate enough to have savings they could invest in the stock market, through tax preferred IRAs or employer provided pensions, have experienced a significant increase in their wealth and retirement security. Those without the savings to invest in the market have certainly been left behind.

In our tax system, we today give significant incentives – exclusions from taxable income – to employer provided pension, IRAs, and 401ks, in order to encourage Americans to save. Our choice to provide incentives for such savings is clearly based on the public policy determination that we benefit as a nation when our savings rate is higher and when individuals take more responsibility for their retirement security. Yet the unfortunate irony is that by designing such incentives only in the form of tax deductions and income exclusions, we leave out the very Americans who have the lowest income and the hardest time saving because their income is almost entirely consumed by the basic necessities of life.

By what possible public policy rationale do we justify the fact that less than 10 percent of tax incentives for savings and retirement go to families making under $50,000?[46] For the large number of families in the bottom two quintiles that pay little income tax, such incentives are an empty offer. Most cannot afford to save virtually anything; many owe no income taxes because of their low income and even those who can save a little get only 15 cents to the dollar as an incentive – far below what is offered to those in the upper-income brackets. If we are serious about closing the wealth inequality gap, if we are serious about encouraging more low-income Americans to save for their retirement to participate in the process of investment, wealth creation and the wonders of compound returns, then we need to find new proposals that will let all Americans participate in savings and wealth creation.

The President's Universal Savings Accounts (USA's) seek to do just this. These accounts would give an automatic tax credit to low- and moderate-income working families so that those families would have an individual savings account and then they would provide matching returns to encourage Americans to contribute their own savings as well. Whether or not the USA account is the only way to achieve this goal, I believe that these are the type of savings and wealth creation incentives that must be provided for all Americans – even those at the lowest income bracket – if we are to close the wealth inequality gap in the future.

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[45] Glenn Loury, "Opting Out of the Boom: Why More Blacks Don't Invest." *New York Times* June 7, 1998.
[46] Department of Treasury.

VIII. CONCLUSION

I have tried today to marshal evidence to demonstrate that public policy efforts to reduce poverty and increase economic opportunity have significant cost-benefit savings for our society and are consistent with a pro-growth economic strategy. Yet I would be being less than straight-forward if I suggested that I believe that the justification for our anti-poverty and economic opportunity efforts rest solely on efficiency or economic growth.

We are a country that not only tolerates, but truly celebrates the wealth and riches any American can fairly earn by virtue of their hard work, skill, innovation, entrepreneurship, or even dumb luck. The core of our strong belief in our unique American value of free enterprise is the specific American value that any one person can rise by virtue of their individual talent and efforts.

And while there will always be the rare individual who will rise from the cruelest of situations, there are too many neighborhoods, too many streets, too many families where a child born today faces overwhelming obstacles. When the accident of birth and not the content of one's efforts and God-given talents becomes the best indicator of too many children's life opportunities, it strikes at the heart of our belief system.

When more than one-third of all African-American and Hispanic children are born into poverty, when a single street in a single city marks a divide between children born into a home with computerized Pokemon games and children born into homes with inferior nutrition, low educational aspirations, and neighborhoods with failing schools and crime-filled streets, we fail to live up to the values and aspirations we hold dear. Yet every dedicated mentor, every successful pre-school program, every excellent teacher, every creative after-school program, every additional college grant can make our ideals a little more real for each child touched by such an opportunity who chooses to accept the responsibility to take advantage of it. Beneath the big picture politics, the headline soundbites, and the defining issues for the next election, are a multitude of below-the-screen budgetary decisions that each by themselves will determine whether another 10,000 or 100,000 or even one million young people will get such an opportunity. Shame on all of us if we ever forget that.

TABLE 1				
POVERTY RATES FOR SELECTED GROUPS				
	1993	1998	Percent Change	1998 Is the Lowest Since
All Persons	15.1	12.7	-15.9%	1979
Black	33.1	26.1	-21.1%	Record
Hispanic	30.6	25.6	-16.3%	1979
Children	22.7	18.9	-16.7%	1980
Black children	46.1	36.7	-20.4%	Record
Hispanic children	40.9	34.4	-15.9%	Record
Single mothers	46.1	38.7	-16.1%	Record
Black single mothers	57.7	47.5	-17.7%	Record
Hispanic single mothers	60.5	52.2	-13.7%	Record
Elderly	12.2	10.5	-13.9%	Record

(Note: the poverty threshold for a family of four is $16,660)

TABLE 2			
NUMBER OF PEOPLE IN POVERTY FOR SELECTED GROUPS (thousands)			
	1993	1998	Change
All Persons	39,265	34,476	-4,789
Black	10,877	9,091	-1,786
Hispanic	8,126	8,070	-56
Children	15,727	13,467	-2,260
Black children	5,125	4,151	-974
Hispanic children	3,873	3,837	-36
Single mothers	4,424	3,831	-593
Black single mothers	1,780	1,397	-383
Hispanic single mothers	706	707	+1*
Elderly	3,755	3,386	-369

Note: This population grew 16.1 percent between 1993 and 1998.

TABLE 3			
CHANGE IN INCOME			
	1993	1998	Increase
All families	41,691	46,737	+5,046
Black families	24,300	29,404	+5,104
Hispanic families	26,682	29,608	+2,926
Married couple	48,511	54,180	+5,669
Single female	19,676	22,163	+2,487

TABLE 4					
INCOME GROWTH FROM 1981-1998					
	1981	1993	1998	1981-93	1993-98
All families	40,502	41,691	46,737	2.9%	12.1%
Black families	24,000	24,300	29,404	1.3%	21.0%
Hispanic families	29,671	26,682	29,608	-10.1%	11.0%
Bottom quintile	8,749	8,361	9,223	-4.4%	10.3%
Second quintile	20,966	21,044	23,288	0.4%	10.7%
Third quintile	34,628	35,276	38,967	1.9%	10.5%
Fourth quintile	51,581	54,821	60,266	6.3%	9.9%
Top quintile	90,350	114,216	127,529	26.4%	11.7%

TABLE 5 GROWTH IN SELECTED POVERTY-REDUCTION PROGRAMS (In millions of dollars)				
	FY 1993	FY 1999	Growth 1993-99	Increase 1993-99
Head Start	2,776	4,660	+68%	+1,884
WIC	2,928	3,924	+34%	+996
EITC (calendar year estimates)	15,537	31,855	+105%	+16,318
Dislocated Worker Funding	517	1,406	+172%	+889
Job Corps	966	1,309	+36%	+343
Pell Grants Max. Award*	$2,300	$3,125	+36%	+$825

* Dollars per person.

TABLE 6						
POVERTY WITH AND WITHOUT THE EITC						
	POVERTY RATE			PEOPLE IN POVERTY (thousands)		
	w/o EITC	w/ EITC	Lifted Out	w/o EITC	w/ EITC	Lifted Out
1992	16.2	15.2	1.0	41,561	38,995	2,565
1993	16.3	15.5	0.8	42,262	40,188	2,074
1994	15.8	14.6	1.2	41,335	38,196	3,139
1995	14.8	13.4	1.4	39,032	35,340	3,692
1996	14.9	13.3	1.6	39,666	35,407	4,259
1997	14.3	12.7	1.6	38,393	34,097	4,296
1998	13.6	12.0	1.6	36,864	32,527	4,337

Note: poverty without the EITC is Census definition 1a and with the EITC is Census definition 1b

TABLE 7						
POVERTY WITH AND WITHOUT THE EITC IN 1998						
	POVERTY RATE			PEOPLE IN POVERTY (thousands)		
	w/o EITC	w/ EITC	Lifted Out	w/o EITC	w/ EITC	Lifted Out
Americans	13.6	12.0	1.6	36,864	32,527	4,337
Black	27.6	24.5	3.1	9,626	8,545	1,081
Hispanic	27.4	23.6	3.8	8,635	7,438	1,198
Children	20.2	17.0	3.2	14,410	12,127	2,283
Black children	38.5	32.9	5.6	4,357	3,723	634
Hispanic Children	36.6	30.9	5.7	4,082	3,446	636
Single mom	43.2	36.7	6.5	12,614	10,716	1,898

Note: poverty without the EITC is Census definition 1a and with the EITC is Census definition 1b.

APPENDIX 1 – THE CLINTON ADMINISTRATION'S CONTRIBUTION TO POLICIES TO HELP PEOPLE LIFT THEMSELVES OUT OF POVERTY

1. REWARDING WORK

Expanded EITC to Put Money Back in Working Families' Pockets

- The EITC helps working families supplement their earnings through tax credits. In President Clinton's 1993 Economic Plan, EITC was expanded to make work pay for 15 million working families.

- In 1998, the EITC lifted 4.3 million Americans out of poverty – more than twice as many as in 1993. The average family received an EITC credit of $1,890.

Minimum Wage Hike Increased Pay By $1,800 for Full-time Workers

- In 1996, the President and Vice President fought for and won a minimum wage increase from $4.25 to $5.15 per hour for nearly 10 million workers.

- Now, the President is fighting for another minimum wage increase – $1 over two years – to make work pay for 11.4 million workers and help ensure that parents who work hard and play by the rules can raise their children out of poverty.

Provided Health Care to Low-Income Working Families

- The President has successfully fought to increase low-income families' access to health care by allowing states to expand Medicaid to cover low-income two-parent families who work and working with states to ensure that uninsured families receive Medicaid when eligible.

Enacted Single Largest Investment in Health Care for Children since 1965

- The President, with bipartisan support from the Congress, created the Children's Health Insurance Program (CHIP). The Balanced Budget Act of 1997 allocated $24 billion over five years to provide affordable health insurance to children in families with incomes too high to qualify for Medicaid but too low to purchase private insurance through State-designed programs.

- On September 8, 1999, President Clinton announced that all 50 states and every territory are participating in this new program, bringing us closer to our goal of providing insurance for up to 5 million children through a combination of Medicaid and CHIP.

Improved Access to Affordable and Quality Child Care

- Under the Clinton-Gore Administration, federal funding for child care has increased by 80 percent, helping parents pay for the care of about 1.25 million children.

- The 1996 welfare reform law increased child care funding by $4 billion over six years to provide child care assistance to families moving from welfare to work. Last year, the President succeeded in securing $140 million in new funds for after-school care and $173 million for child care quality activities.

Initiated $3 Billion Welfare-to-Work Initiative

- The Clinton-Gore Administration fought for a $3 billion Welfare-to-Work initiative as part of the 1997 Balanced Budget Agreement.

- During FY 1998 and FY 1999, nearly $2.7 billion in grants have been awarded to states, local communities, and tribes across the nation to help long-term welfare recipients, and certain low-income fathers, work and support their families.

- Funds are targeted at individuals and communities facing the greatest challenges. To date, these resources are helping nearly 100,000 individuals to get or keep a job.

Helping People Get to Work

- With the Administration's leadership, the Transportation Equity Act for the 21st Century (TEA-21) authorized $750 million over five years for the President's Job Access initiative and reverse commute grants.

- The Omnibus Budget Act included $75 million for this program in FY 1999, and in May, Vice President Gore awarded grants to 179 communities in 42 states around the country to assist states and localities to develop flexible transportation alternatives for welfare recipients and other low-income workers.

Welfare-to-Work Housing Vouchers

- In 1999, the President proposed and Congress approved $283 million for 50,000 new housing vouchers for current and former welfare recipients who need housing assistance to get or keep a job.

- Families will use these welfare-to-work housing vouchers to move closer to a new job, to reduce a long commute, or to secure more stable housing that will help eliminate emergencies which keep them from getting to work every day on time.

Helping People Who Want to Work but Can't Find a Job

- Acknowledging that finding a job often takes time, the Balanced Budget Act of 1997 provided funds for work slots and food stamp benefits to help those who are willing to work, but through no fault of their own, have not yet found employment.

Passage of Welfare-to-Work Tax Credit and Work Opportunity Tax Credit

- The Welfare-to-Work Tax Credit, enacted in the 1997 Balanced Budget Agreement, provides a credit equal to 35 percent of the first $10,000 in wages in the first year of employment, and 50 percent of the first $10,000 in wages in the second year, to encourage the hiring and retention of long-term welfare recipients.

- This credit complements the Work Opportunity Tax Credit, which expands eligible businesses to include those who hire young adults living in Empowerment Zones and Enterprise Communities.

- In FY 1999, the President requested and Congress accepted extending the credit through June 30, 1999.

2. SUPPORTING HARD-PRESSED WORKING FAMILIES

Introduced $500 Per-Child Tax Credit, Benefiting 13 Million Children from Low-income Families

- 27 million families with 45 million children are receiving the $500 per-child tax credit included in the 1997 Balanced Budget Agreement.

- As a result of the President's efforts, 13 million children from families receiving the EITC will also benefit from the $500 child tax credit.

Increased WIC by $1 Billion

- Under President Clinton, participation in WIC has expanded by 1.7 million – from 5.7 million in 1993 to 7.4 million women, infants, and children in 1999. Funding has risen from $2.9 billion to $3.9 billion.

Helping Working Families to Buy Food

- In July 1999, the President took executive actions to help ensure working families who need Food Stamps have access. These steps include:
  - ✔ new policy guidance making it easier for working families to own a car and still receive food stamps
  - ✔ new regulations simplifying rules so that families do not have to report income as often and states won't be penalized for small errors in projecting families' future earnings
  - ✔ a new public education campaign to educate working families about food stamps

Established of Individual Development Accounts (IDAs)

- In 1992, the President proposed to establish IDAs to empower low-income families to save for a first home, post-secondary education, or to start a new business. The 1996 welfare reform law authorized the use of welfare block grants to create IDAs.

- Last year, the President signed legislation creating a five-year IDA demonstration program for low-income households. The first 40 grants announced in September will match the savings of 10,000 working families.

Providing Community Resources

- Community Development Block Grant (CDBG) funds activities such as economic and neighborhood revitalization, job creation, public services, community development and renewal of distressed communities.

- In 1999, CDBG funds assisted nearly 200,000 households in up to 900 communities around the country that are eligible for CDBG funding.

3. Investments in Education: From Head Start to Gear-Up to Pell Grants

Expanded Head Start By Nearly 70 Percent

- Since 1993, President Clinton and Congressional Democrats have expanded Head Start by 57 percent, from nearly \$2.8 billion in FY 1993 to nearly \$4.7 billion in FY 1999.

- The program now serves an estimated 835,000 children, reaching more kids than at any time since its creation in 1965 and more than 200,000 additional children than in 1992.

Launched the Reading Excellence Program

- Two years ago, President Clinton launched the America Reads Challenge, a multi-faceted effort to help states and communities ensure that all children can read well and independently by the end of the third grade.

- The program received \$260 million in FY 1999 and another \$286 million has been requested in FY 2000 to allow the program to continue. The funds help to train reading tutors and coordinate after-school, weekend and summer reading programs linked to in-school instruction. In addition, over 1,000 colleges have pledged to use federally-financed work-study positions for tutoring programs.

Helping Students Most in Need

- Title I funds provide over \$8 billion to help 11 million low-income students benefit from higher expectations and a challenging curriculum geared to higher standards.

Strong Investments in Educational Technology

- The Clinton-Gore Administration has made strong investments in educational technology. Funding for education technology at the Department of Education has increased from \$23 million (FY 1993) to \$698 million (FY 1999) to \$801 million (FY 2000 request).

- States and local communities are given a great deal of flexibility in how they use the money for computers, teacher training and software -- but they are required to develop a plan for ensuring equity.

- The "E-rate" provides \$2.25 billion in discounts to connect schools and libraries to the Internet. Discounts are 90 percent for the poorest schools that need it most, and 20 percent for the wealthiest schools. E-rate was a critical part of the Telecommunications Act of 1996, which the President signed into law.

Providing Safe After-School Opportunities

- Under the Clinton-Gore Administration, the 21st Century Community Learning Centers program has been expanded to provide safe and academically enriching after-school opportunities for nearly 400,000 school-age children in rural and urban communities each year.

- In his FY 2000 budget, the President proposes to triple funding to $600 million, reaching 1.1 million students.

Creation of Youth Opportunity Grants

- President Clinton proposed the $1.25 billion Youth Opportunities Grants program, a five year grants initiative that was authorized as part of the 1998 Workforce Investment Act. This program focuses primarily on out-of-school youths. The program provides them with job training and has a strong emphasis on mainstreaming youth into the private sector, both in terms of immediate job placement and work-based learning opportunities to increase long-term employment prospects.

- The Youth Opportunities program will receive $250 million this fall and will make a significant attack on concentrated poverty and unemployment. This initiative represents a strong investment in Empowerment Zones and Communities and other urban and rural areas that are considered high-poverty areas.

- The main goal of the program is to increase employment in the private sector, increase college enrollment and decrease dropout rates.

Creation of the GEAR-UP Initiative

- Under the Clinton-Gore Administration, the new mentoring initiative GEAR-UP was created to better prepare up to an estimated 260,000 low-income middle school children for entrance to and success in higher education.

- GEAR UP grants will fund partnerships involving more than 1,000 organizations, such as the YMCA, Boys and Girls Clubs, 4-H programs, Salvation Army, libraries, arts organizations, local chambers of commerce, and individual companies such as Wal-Mart, Unisys, Hewlett-Packard, Bell Atlantic, and the New York Times Newspaper in Education Program.

- In August 1999, $120 million in grants were awarded to 164 partnerships and 21 grants to states (for statewide program).

Assisting Migrant Children and Families

- Migrant families face difficult obstacles to gaining the education and training they may need to improve their standard of living. President Clinton improved the Migrant Education Program in the 1994 reauthorization, and won a 16 percent increase in FY 1999.

Expanding Pell Grants

- President Clinton and the Congressional Democrats have increased the Pell Grant maximum grant amount from $2,300 in FY 1993 to $3,215 in 1999. In 1999, nearly 4 million students will receive a Pell Grant of up to $3,125, the largest maximum award ever.

4. HELPING TO BRING PRIVATE ENTERPRISE AND CAPITAL TO DISTRESSED AREAS

Expanding Microenterprise Lending and Technical Assistance

- Microenterprise development programs provide access to capital, other financial services, and training to those traditionally bypassed by the mainstream financial sector, such as the poor women, minorities and those in economically distressed areas.

- President Clinton's and Vice President Gore's proposal also includes a doubling of support for technical assistance in SBA's Microloan Program and a doubling of support for SBA lending to leverage over $75 million in new microlending.

- The microenterprise strategy will also involve new funding for Individual Development Accounts (IDAs) and for SBA's One-Stop Capital Shops.

Created the Community Development Financial Institutions (CDFI) Fund

- In 1994, President Clinton proposed and signed into law the CDFI Fund. Through grants, loans, and equity investments, the Fund has created a network of approximately 270 CDFIs in distressed areas across the nation. CDFI activities leverage investments from banks, foundations, and other sources.

- Since the Fund's creation, it has made more than $190 million in awards to community development institutions and financial institutions. This investment is expected to leverage three to four times the amount of the investments in total capital raised for CDFIs over the next few years. In FY 1999, funding for the CDFI Fund was increased 19 percent to $95 million.

Strengthened and Simplified the Community Reinvestment Act (CRA)

- In April 1995, the Clinton-Gore Administration reformed the CRA regulations to emphasize performance.

- According to the National Community Reinvestment Coalition (NCRC), the private sector has pledged more than $1 trillion going forward in loans to distressed communities – and more than 95 percent of these financial commitments have been made since 1992.

- Banks made $18.6 billion in community development loans in 1997 alone. Lending to minority and low-income borrowers is also on the rise.

135 Empowerment Zones and Enterprise Communities

- After pushing to have Empowerment Zones (EZs) and Enterprise Communities (ECs) passed into law, the Clinton-Gore Administration has designated 135 urban and rural EZs and ECs across the country. The First Round EZ/EC initiative, which included 105 EZs/ECs, was proposed by President Clinton and passed by Congress in 1993. The Second Round of 30 EZs/ECs was also proposed by the President, and in FY 1999 the President and Congress provided first-year funding for the new EZs and ECs.

- Designated communities were chosen on the basis of their strategic revitalization plans, and receive special incentives and resources to help carry out their plans. The EZ/EC initiative has already leveraged over $10 billion in additional public and private sector investment in community revitalization efforts.

The Economic Development Initiative (EDI) and Section 108 Loan Guarantee

- EDI grants are used to infuse capital into community development projects, enhancing the debt financing provided by the Section 108 loan guarantee program. Together, the programs support critical economic development in distressed communities.

- Estimated jobs supported by EDI and the Section 108 loan guarantee have grown by 300,000 from 1994 to 1998. During this time period EDI and the Section 108 loan guarantee program have funded $3.5 billion for more than 650 separate project commitments.

Cleaning Up the Urban Environment through Brownfields Redevelopment

- The Clinton-Gore Administration has launched a landmark effort, including the Brownfields Tax Incentive, to clean up and redevelop Brownfields sites.

- In total, the Brownfields action agenda has marshaled funds to clean up and redevelop up to 5,000 properties, leveraging between $5 billion and $28 billion in private investment and creating and supporting 196,000 jobs.

APPENDIX 2 – THE 1997 BALANCED BUDGET AGREEMENT ALLOCATED MORE THAN $70 BILLION FOR FAMILIES EARNING LESS THAN $30,000

$18.5 Billion – Child Tax Credit for those Earning Less than $30,000

- As a result of the President's efforts, 13 million children from families receiving the EITC will also benefit from the $500 child tax credit.

$24 Billion – Children's Health Insurance

- The President insisted on increasing the investment for children's health from $16 billion to $24 billion. Because of the President's leadership, this budget contained the largest investment in children's health insurance since the enactment of Medicaid in 1965.

$1.5 Billion – To Help Pay Premiums for Low-income Medicare beneficiaries

- The Balanced Budget Act of 1997 established a "Qualified Individual" program to help Medicare beneficiaries with incomes up to 175 percent of poverty pay their premiums.

$12 Billion – To Restore Benefits to Immigrants

- The President restored disability and health benefits for 350,000 legal immigrants who are currently receiving assistance or become disabled, ensuring that they will not be turned out of their homes, nursing facilities or become otherwise helpless.

$1.5 Billion – Food Stamps For Adults Looking For Work But Have Not Found Jobs

- The Balanced Budget Act of 1997 provided assistance through food stamps to help adults who want to work but have not yet found jobs.

$3 Billion – Welfare to Work Programs

- The President created a proposal that established a $3 billion Welfare to Work Jobs Challenge to move long-term welfare recipients into lasting jobs through a range of means including job placement efforts and wage subsidies for private employers.

$7 Billion (at least) – Largest Pell Grant increase in two decades

- Congress adopted President Clinton's proposal to increase the maximum Pell Grant to $3,000 – *the largest increase in two decades.* Approximately 3.7 million students have received the $300 increase, and an additional 220,000 low- and moderate-income families that were not previously eligible received Pell Grants.

$3 Billion (at least) – Tax Incentives to Revitalize Our Nation's Distressed Urban Areas

- A new tax cut to help clean up and redevelop Brownfields, with a three year cost of $1.5 billion expected to leverage more than $6 billion for private sector cleanups nationwide.

- The budget also provided $1.65 billion for a second round of Empowerment Zones – 15 urban and 5 rural.

APPENDIX 3 – THE CLINTON ADMINISTRATION'S NEW INITIATIVES TO HELP PEOPLE LIFT THEMSELVES OUT OF POVERTY

- Technology Literacy Program
- GEAR-UP Initiative
- Reading Excellence Program
- Youth Opportunity Grants
- Community Development Financial Institutions Fund (CDFI)
- Strengthened and Simplified the Community Reinvestment Act (CRA)
- Empowerment Zones (EZs) and Enterprise Communities (ECs)
- Economic Development Initiative (EDI) and Section 108 Loan Guarantee
- Brownfields Tax Incentive
- $500 Per-Child Tax Credit
- Children's Health Insurance Program (CHIP)
- Established of Individual Development Accounts (IDAs)
- Welfare-to-Work Initiative
- Passage of Welfare-to-Work Tax Credit and Work Opportunity Tax Credit
- Welfare-to-Work Housing Vouchers

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Jeff Shesol

PRESIDENT WILLIAM J. CLINTON

REMARKS ON NEW OPPORTUNITY AGENDA

GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

January 12, 2000

Acknowledgments: Sen. Lieberman; GWU President Stephen Joel Trachtenberg [track-tin-berg]; Jessica and Tommy Cupp

Eight years ago, when I ran for President, I stood before an audience here in Washington and called for change: "Change in our party, change in our national leadership, and change in our country." Change not for its own sake but because the old answers were obsolete, because new conditions demanded a new approach.

What I said then – and what we in the DLC had been saying for some time – was that our politics had to embody the basic values of opportunity, responsibility, and community. Our party had to pursue them; our policies had to promote them.

Those of us who led the charge called ourselves New Democrats and our agenda the Third Way. But we were quick to point out that labels don't define a politician or a political movement; ideas do.

Our ideas were bound to cause controversy in an America divided along the old lines of conflict, an America that was asking itself, after a decade of deadening deficits, "What went wrong?" Al Gore and I knew that to set things right, we should not return to policies more relevant to the problems of the 1930s or the 1960s. Nor would we reprise the great neglect of the 1980s. Instead, we said that government had to be slimmed and trimmed and reinvented if it was ever going to function as it does best – as a catalyst – as an active partner to the private sector in creating opportunity, jobs, and hope.

And we said that citizens had to take responsibility for shaping their own lives and serving their own communities.

Today, I think we can say with certainty – and no small measure of satisfaction – that the argument is over. It's been put to rest by the record. It's been resolved by seven years of results – measurable, remarkable results: the fastest economic growth in more than 30 years; the lowest unemployment rate and the smallest welfare rolls in 30 years; the lowest poverty rate in 20 years; the lowest murder rate in 30 years; the largest surplus in almost 40 years; the highest home ownership ever. In several weeks, America will achieve the longest economic expansion in our history.

And every one of our 20 million new jobs proves that it's possible – as I argued in 1991 – to "expand opportunity without expanding government."

So America begins its journey through the 21st Century with greater prosperity and greater promise than we have ever known. Today, I want to speak to you about what more we must do to fulfill that promise – to seize this moment, this chance of a lifetime – and fashion a new era of opportunity for all, responsibility from all, and community of all.

Fifteen days from now, in my State of the Union Address, I will propose an ambitious new agenda for a new century.

I will put forth a new agenda rooted in responsibility, and a new agenda to create a wider and stronger community. But today I want to talk about what I am calling my New Opportunity Agenda. At its core is a simple, powerful, fundamental principle: "Opportunity for all." We know that in these seven years we have created more opportunity for more Americans than in any comparable period in history. And we know that the economic conditions we have created – the virtuous cycle we have set in motion – put us in a position to achieve so much more. We can expand the circle of opportunity wide enough to include the men and women at its margins, so that no one who's willing to work is left behind as our nation moves ahead. We can, as Senator Lieberman or Al From would say, expand the winner's circle.

The New Opportunity Agenda builds on the ideas I put forth in 1992 and the progress we have made in the seven years since. It is an agenda to renew opportunity, reward work, and rekindle hope. It advances our understanding of what opportunity means in an Information Age. Once, textbooks were central to a child's education; today, computers are. Once, a ninth-grade education was all anyone needed to get a job for life; today, preschool and college are crucial, and most of us will change careers several times before retirement. My New Opportunity Agenda accounts for these new demands of a new economy, and these new pressures on working families.

It also helps assure that if you work hard and play by the rules, you will have a decent chance for yourself and a better life for your children. That, after all, is the American Dream you and I were raised on. That's the promise I made when I ran for President. And that's been the basic goal of so much we have done – from the Earned Income Tax Credit to the minimum wage, from health care to child care to partnerships that have helped millions of Americans move from welfare to work.

In the coming weeks I will have more to say about my New Opportunity Agenda, more ideas to offer on reforming education, renewing families, closing the digital divide, opening new markets, expanding access to health care and child care – everything that works together to expand opportunity.

But today I want to announce an important element of my plan, one that is emblematic of our overall approach.

In my State of the Union Address, and in my budget for 2001, I am proposing a substantial expansion of the Earned Income Tax Credit – a targeted tax cut for low-income working families. As I pledged in 1992, one of my first actions as President was to expand the EITC. I made the largest single investment in the working poor in more than two decades, and here's why: because the EITC isn't just another acronym. The "E" in "EITC" is about earning. It's about working. It's about taking responsibility and being rewarded for it.

I believe the government, too, has a responsibility – part of its basic compact with our citizens – to make sure, for families like the Cupps, that work pays; to make sure we reward work even as we restore fiscal discipline to our government. In expanding opportunity, these incentives to work are every bit as important as economic growth or interest rates or debt or deficit reduction. And as studies from Harvard to Wisconsin confirm: the EITC is a powerful incentive to work. It's a fulcrum by which people lift themselves out of poverty and into the middle class. In 1998, the EITC helped more than 4.3 million make the move. That's double the number in 1993. This tax credit is a major reason – along with the strength of our economy, the rise in the minimum wage, and movement of millions from welfare to work – that there are fewer people in poverty today than in 20 years.

It helps explain why the child poverty rate is lower than it's been in 20 years; and why child poverty among African-Americans is the lowest on record.

Precisely because we have made such progress, we know there is more we can do. And we know what works. That is why, today, I am proposing to expand an investment that is already expanding opportunity for millions of Americans. I am proposing, first, to eliminate the marriage penalty exacted by the EITC, making sure that this tax credit rewards marriage, and family, just as it rewards work. Second, I am proposing to expand the Earned Income Tax Credit for families with three or more children. The pressures on these families rise as their ranks increase: 28 percent are in poverty, more than twice the rate for smaller families.

Our plan would provide these families tax relief that is up to $1,200 more than what they now receive. Third, our plan would give more people more incentives to work their way into the middle class. And fourth, it would make it easier for recipients to save for the future and for their retirement.

For a family like the Cupps, these new initiatives would mean an additional tax credit of up to $850, helping them to provide for their children, or own a home, or buy a car that makes it easier to work. My budget dedicates about $21 billion to these priorities over the next 10 years – increasing our investment in people while maintaining the fiscal discipline that got us here.

"Opportunity for all" is more than a marker of how far we have come; it's a measure of how far we can go. It was Robert Kennedy who said: "Our society – all our values, our views of each other, and our own self-esteem; the contribution we can make to ourselves, our families, and the community around us – all these things are built on the work we do." We must continue to do all we can to affirm the dignity of work – and deliver the rightful rewards for taking responsibility.

This, as I have said, is a great and unique moment for America: a chance to renew the values of opportunity, responsibility, and community; a chance to fulfill the ideals of our founders; a chance to realize the full promise of a prosperous nation. Let us work together to build an even stronger America, and an even better, brighter future for all our people. Thank you.

Revised Final 01/12/00 10:30am
Jeff Shesol

PRESIDENT WILLIAM J. CLINTON
REMARKS ON NEW OPPORTUNITY AGENDA
GEORGE WASHINGTON UNIVERSITY
WASHINGTON, DC
January 12, 2000

Acknowledgments: Sen. Lieberman; GWU President Stephen Joel Trachtenberg [track-tin-berg]; Jessica and Tommy Cupp

Eight years ago, when I ran for President, I stood before an audience here in Washington and called for change: "Change in our party, change in our national leadership, and change in our country." Change not for its own sake but because the old answers were obsolete, because new conditions demanded a new approach.

What I said then – and what we in the DLC had been saying for some time – was that our politics had to embody the basic values of opportunity, responsibility, and community. Our party had to pursue them; our policies had to promote them. Those of us who led the charge called ourselves New Democrats and our agenda the Third Way. But we were quick to point out that labels don't define a politician or a political movement; ideas do.

Our ideas were bound to cause controversy in an America divided along the old lines of conflict, an America that was asking itself, after a decade of deadening deficits, "What went wrong?" Al Gore and I knew that to set things right, we should not return to policies more relevant to the problems of the 1930s or the 1960s. Nor would we reprise the great neglect of the 1980s. Instead, we said that government had to be slimmed and trimmed and reinvented if it was ever going to function as it does best – as a catalyst – as an active partner to the private sector in creating opportunity, jobs, and hope. And we said that citizens had to take responsibility for shaping their own lives and serving their own communities.

Today, I think we can say with certainty – and no small measure of satisfaction – that the argument is over. It's been put to rest by the record. It's been resolved by seven years of results – measurable, remarkable results: the fastest economic growth in more than 30 years; the lowest unemployment rate and the smallest welfare rolls in 30 years; the lowest poverty rate in 20 years; the lowest murder rate in 30 years; the largest surplus in almost 40 years; the highest home ownership ever. In several weeks, America will achieve the longest economic expansion in our history. And every one of our 20 million new jobs proves that it's possible – as I argued in 1991 – to "expand opportunity without expanding government."

So America begins its journey through the 21st Century with greater prosperity and greater promise than we have ever known. Today, I want to speak to you about what more we must do to fulfill that promise – to seize this moment, this chance of a lifetime – and fashion a new era of opportunity for all, responsibility from all, and community of all.

Fifteen days from now, in my State of the Union Address, I will propose an ambitious new agenda for a new century. I will put forth a new agenda rooted in responsibility, and a new agenda to create a wider and stronger community. But today I want to talk about what I am calling my New Opportunity Agenda. At its core is a simple, powerful, fundamental principle: "Opportunity for all." We know that in these seven years we have created more opportunity for more Americans than in any comparable period in history. And we know that the economic conditions we have created – the virtuous cycle we have set in motion – put us in a position to achieve so much more. We can expand the circle of opportunity wide enough to include the men and women at its margins, so that no one who's willing to work is left behind as our nation moves ahead. We can, as Senator Lieberman or Al From would say, expand the winner's circle.

The New Opportunity Agenda builds on the ideas I put forth in 1992 and the progress we have made in the seven years since. It is an agenda to renew opportunity, reward work, and rekindle hope. It advances our understanding of what opportunity means in an Information Age. Once, textbooks were central to a child's education; today, computers are. Once, a ninth-grade education was all anyone needed to get a job for life; today, preschool and college are crucial, and most of us will change careers several times before retirement. My New Opportunity Agenda accounts for these new demands of a new economy, and these new pressures on working families.

It also helps assure that if you work hard and play by the rules, you will have a decent chance for yourself and a better life for your children. That, after all, is the American Dream you and I were raised on. That's the promise I made when I ran for President. And that's been the basic goal of so much we have done – from the Earned Income Tax Credit to the minimum wage, from health care to child care to partnerships that have helped millions of Americans move from welfare to work.

In the coming weeks I will have more to say about my New Opportunity Agenda, more ideas to offer on reforming education, renewing families, closing the digital divide, opening new markets, expanding access to health care and child care – everything that works together to expand opportunity. But today I want to announce an important element of my plan, one that is emblematic of our overall approach.

In my State of the Union Address, and in my budget for 2001, I am proposing a substantial expansion of the Earned Income Tax Credit – a targeted tax cut for low-income working families. As I pledged in 1992, one of my first actions as President was to expand the EITC. I made the largest single investment in the working poor in more than two decades, and here's why: because the EITC isn't just another acronym. The "E" in "EITC" is about earning. It's about working. It's about taking responsibility and being rewarded for it.

I believe the government, too, has a responsibility – part of its basic compact with our citizens – to make sure, for families like the Cupps, that work pays; to make sure we reward work even as we restore fiscal discipline to our government. In expanding opportunity, these incentives to work are every bit as important as economic growth or interest rates or debt or deficit reduction. And as studies from Harvard to Wisconsin confirm: the EITC is a powerful incentive to work. It's a fulcrum by which people lift themselves out of poverty and into the middle class. In 1998, the EITC helped more than 4.3 million make the move. That's double the number in 1993. This tax credit is a major reason – along with the strength of our economy, the rise in the minimum wage, and movement of millions from welfare to work – that there are fewer people in poverty today than in 20 years. It helps explain why the child poverty rate is lower than it's been in 20 years; and why child poverty among African-Americans is the lowest on record.

Precisely because we have made such progress, we know there is more we can do. And we know what works. That is why, today, I am proposing to expand an investment that is already expanding opportunity for millions of Americans. I am proposing, first, to eliminate the marriage penalty exacted by the EITC, making sure that this tax credit rewards marriage, and family, just as it rewards work. Second, I am proposing to expand the Earned Income Tax Credit for families with three or more children. The pressures on these families rise as their ranks increase: 28 percent are in poverty, more than twice the rate for smaller families. Our plan would provide these families tax relief that is up to $1,200 more than what they now receive. Third, our plan would give more people more incentives to work their way into the middle class. And fourth, it would make it easier for recipients to save for the future and for their retirement.

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Final 01/11/00 5:45pm
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