



**Testimony of Joel Berg, Executive Director
New York City Coalition Against Hunger**

**Before Joint Hearing of the New York City Council
Committees on Civil Rights and Consumer Affairs**

Regarding Office of Financial Empowerment

April 28, 2008

Introduction

Good afternoon. I am Joel Berg, Executive Director of the New York City Coalition Against Hunger (NYCCAH), which represents the more than 1,200 food pantries and soup kitchens in New York City and the 1.3 million low-income New Yorkers forced to obtain food from these charities. This testimony is submitted on their behalf.

First we want to thank the two committees for holding this vital hearing.

The overall point I want to make with my testimony today is that, while the limited activities engaged in by the Office of Financial Empowerment are generally helpful (especially the efforts aimed at helping families develop assets), the broader Mayoral anti-poverty initiative is far too small, far too under-funded, far too hampered by the incorrect belief that large government anti-poverty programs haven't worked, far too based on the false assumption that poor personal behavior is the main cause of poverty, and far too detached from efforts to create jobs and raise wages. In contrast, in order to make real progress in expanding opportunity and reducing deprivation, the City should lead a serious effort to create jobs and increase wages for people now in poverty.

The Role of the Office of Financial Empowerment in a Broader Context

I think it is crucial for any discussion concerning the Office of Financial Empowerment to be considered as a part of a much larger discussion about what the City is – and is not – doing about the growing poverty crisis.

When Mayor Michael Bloomberg first announced his poverty initiative in his fifth year as Mayor, my organization gave him credit for taking on this issue. We said that we were most encouraged by the fact that he discounted the false belief, held by too many New Yorkers, that poverty is somehow inevitable. By sending a clear message that government has the responsibility to lead public/private partnerships to reduce poverty, the Mayor set powerful markers for himself and the City.

But now is the time to take a hard look at those markers. Rhetoric, reports, promises, spin, and platitudes aside, three incontrovertible facts remain:

- Poverty in New York City is greater today than the day Mayor Bloomberg took office;
- Homelessness in New York City is greater today than the day Mayor Bloomberg took office; and
- Hunger in New York City is greater today than the day Mayor Bloomberg took office.

According to the Census Bureau, there are now at least 1.54 million New Yorkers -- 151,000 more people than in the year 2000 -- living under the meager federal poverty line, even though the number of billionaires and millionaires in the city has skyrocketed during that time. According to the City's own numbers, as analyzed by the Coalition for the Homeless, in FY 2007, fully 102,187 different New Yorkers slept in homeless shelters -- 5.8% more than in FY 2006 and a 23.4% increase since FY 2002. According to U.S. Department of Agriculture data analyzed by my organization, the New York City Coalition Against Hunger, in the 2005-2006 time period, about 15.4% of city residents (one in six city residents) lived in food insecure households, representing an approximately 112,000-person increase over the 2000-2002 time period, when 14.0% of New Yorkers lived in such households.

Despite those massive problems, the City's anti-poverty efforts consist mostly of small pilot projects. Last December, the Mayor announced that the new Center for Economic Opportunity had launched 31 new anti-poverty programs. This sounds highly impressive, but permit me to suggest that it is not as impressive as the hype. While the City's reports are a bit vague about the size and scope of these programs, as best as I can tell, they are all small pilot programs that each engage only a few thousand people, or sometimes even just a few hundred people (or even fewer). Thus, my best guess is that, when you piece together the number of people in each of the pilot projects, these combined efforts are likely reaching less than 10,000 people. But let's say, for the sake of argument, that my estimate is way too conservative and that five times that many people -- 50,000 people -- are being helped by these efforts. Yet even 50,000 people being helped by these efforts would still equal less than 3% of the people living in poverty in New York City. Defenders of the City's efforts would respond that the City should be given credit for merely tackling the problem at all. But I think that such an argument can only be made because we, as a society, have set our goals far too low when it comes to the issue of poverty. In comparison, what would people say if this Mayor -- or any Mayor -- said that "the problem of crime was just so big that we wouldn't possibly try to make all neighborhoods and all blocks safer, so we'll just try small pilot projects on less than 3% of the City's blocks?" What if the Mayor also said that, "Oh, by the way, after six years in office, not only would overall crime be higher, but that assault and murder would both be higher?" Of course, such a Mayor would be booted out of office.

Yet, when it comes to poverty, when a Mayor essentially says that we are only going to have small pilot projects that help less than 3% of the target population, and, by the way, the overall poverty rate – as well as the rate of homelessness and the rate of hunger – will all be higher than when I started, the Mayor is hailed as an courageous innovator for even touching the problem. I don't think such grandiose credit is deserved. Small pilot projects, under which poverty actually increases, should *not* be hailed as a national model for how to solve poverty.

The City's Poverty Efforts Are Based on False Assumptions

Ronald Reagan once famously said: "We fought the war on poverty and poverty won." That made a great political sound bite, but it just wasn't true. Between 1960 and 1973, as a result of the strong economy and the War on the Poverty, America's poverty rate was cut by more than half, from 22.4 percent to 12.1 percent. That represented a 16-million-person reduction. The only reason that there is so much more poverty today is because it started to increase *after* the War on Poverty ended and because the overall population of the nation has increased. Despite the fact that Reagan's claim is demonstrably false, many elected officials – from President George W. Bush, to Senator John McCain, to Mayor Michael Bloomberg – today continue to quote it or express similar sentiments as if they were the gospel truth.

Once you start with this false belief, all the other assumptions that flow from it are equally wrong. Thus this a cascading set of false beliefs underlies much of modern of poverty policy and Mayor Bloomberg's initiative in New York: a) The Great Society/ War on Poverty was a failure; b) therefore we know that big government programs don't work (which ignores that many programs started in the 1960's – Head Start, VISTA, food stamps, community action agencies, Section 8, WIC etc. -- worked exceptionally well); therefore, c) we must test small, non-governmental pilot projects to see what truly works in fighting poverty. In contrast, if you acknowledge the reality that the greatest progress in fighting poverty occurred when the government enacted large-scale efforts, the obvious conclusion is that if we want to once again make serious progress in reducing poverty, the government must once again implement large-scale efforts.

Another false assumption underlying the City's efforts is that most poverty is the fault of poor people. In a much-heralded speech on poverty that he gave at the Brookings Institution in Washington, D.C. (on the very day that Census data came out showing that poverty had increased under his watch), Mayor Bloomberg said: "We've learned the hard way that you can't fight poverty by ducking its principal causes – that includes not only a lack of education, but also dependency on government." This statement is wrong for two reasons. First, a lack of education surely increases poverty, but the main cause of poverty is a lack of money. Although that statement seems obvious, permit me to repeat it: the main cause of poverty is a lack of money. Second, not only is it offensive to claim that dependency on government causes poverty, there is not a shred of evidence that it does so.

If getting a lot of help from government made someone poor, then the executives of Bear Stearns would be spending the night in homeless shelters, which I don't think is the case. Plus, many of the poorest New Yorkers – and especially the working poor – get very little help from government.

Sure, everyone (including poor people) could get further ahead if they acted more responsibly, but I think a truly effective anti-poverty initiative would place the bulk of its efforts on helping people earn more income. After all, giving people advice on how to save money isn't much help if they have no money to save.

Ending Poverty Without More Money is Like Ending Drought Without More Water

I am particularly concerned that the Mayor, in releasing the poverty commission report, repeated the right-wing canard that: "Long experience has taught us that simply throwing dollars at poverty does not make it go away." In fact, as I indicated above, the time when the federal government did significantly increase its funding on anti-poverty initiatives – with the Great Society programs and other efforts started in the 1960s – the U.S. poverty rate was cut in half. History clearly shows that the reason poverty again increased in the late 1970s, the 1980s, and again in the last few years was that the federal government slashed anti-poverty funding in order to pay for increased military expenditures, additional corporate welfare, and ever-greater tax cuts for the nation's wealthiest.

Surely, spending more money on anti-poverty programs is not the *only* way to decrease poverty. But given that poverty is the absence of sufficient money, it is logical that we cannot dramatically reduce poverty without significant new expenditures. Trying to reduce poverty without increasing the money available to low-income families is like trying to reduce drought without increasing the availability of water.

When it comes to other matters, the City clearly understands that significant public resources are necessary to obtain results. For instance, to respond to the threat made by the investment firm Goldman Sachs that they would leave Lower Manhattan without significant public subsidies, the City supported making available to the firm \$150 million in city and state tax credits and \$600 million in new liberty bonds, in addition to \$1 billion in previously-issued government bonds. If so much public spending is necessary to keep one company in one location, it would stand to reason that significant government funding is needed to aid the more than three million New Yorkers under the poverty line or near poverty.

The original investment in the City's poverty initiative was only \$150 per year million, which equals only \$97 per person living in poverty. In contrast, Goldman Sachs is getting an average of \$83,000 in government funding for each person who is going to work in the new headquarters. Hmm. \$97 per person in poverty versus \$83,000 per person working for one of the nation's wealthiest investment firms.

Rightfully, the Mayor did propose in Washington last year that the federal government spent serious money to expand the Federal Earned Income Tax Credit (EITC) program. But he neither proposed cutting spending in other areas nor scaling-back tax cuts for the wealthy in order to pay for the EITC expansion. Tellingly, when the Mayor just announced his top five federal policy priorities for the year, neither his EITC proposal nor any other poverty initiative were on the list. Yet the reality is that the most realistic hope of dramatically reducing poverty in America is to create new -- and expanding existing -- federal anti-poverty efforts and to pay for them by ending corporate welfare and rolling back tax cuts for the wealthiest Americans. That's not popular to say, but it's true.

Some Activities of the Office of Financial Empowerment *Do* Help

I do want to include praise for the goals of the Office of Financial Empowerment.

Of all the activities promoted by the office, the most important is the promotion of the EITC. My organization has proudly worked with the DCA on such efforts in the past. After all, this puts real money into the pocket of real people.

While I am not familiar with the specifics of the office's plans to help people obtain education and counseling services and to protect people from being taken advantage of by financial services, we would certainly be supportive of such efforts.

The Working Poor: Other Ways to Support Employment

Looking at the problem of the working poor more broadly, I believe that Mayor Bloomberg has a historically unique opportunity to influence both the private and public sectors with a comprehensive effort to "make work pay." The Mayor's Commission on Economic Opportunity recommended strategies focused almost exclusively on helping workers obtain more skills and additional educational levels; while such efforts will raise wages for some, much broader efforts are needed to ensure that all full-time workers – no matter their skills and educational levels – earn enough to support their families. After all, all economies need low-skilled workers; I believe it is a moral imperative to ensure that people cleaning our offices at night or staffing security desks should earn enough to feed their families.

We believe that future government actions include:

- 1) The President and Congress should further raise the Federal minimum wage, and index that annually to the cost of inflation.
- 2) The Governor and the State legislature should further raise the State's minimum wage, to the level of California's, and also index it to inflation.
- 3) The City Council and the Mayor should expand the New York City Living Wage law to include businesses that receive subsidies from the City.
- 4) The Mayor should encourage all business leaders to voluntarily commit to ensuring that all their employees – as well as all the employees of their contractors – earn enough to feed their families.
- 5) The Governor, State Legislature, Mayor, and City Council should increase the level of the City and State EITC payments that provide matching funds for Federal EITC payments.
- 6) The City and State governments should remove still-existing barriers that make it too difficult for eligible families to obtain existing EITC, food stamp, WIC, school breakfast and summer meals, child care, and health care benefits.
- 7) The Federal, State, and City governments and the private sector should jointly wage a war against both unemployment and under-employment by enacting focused strategies to create far more living wage jobs in low-income neighborhoods.

The bottom line is that the best way to end poverty is to help people obtain jobs that pay enough to support their families. The time is long overdue for government to make it a priority to help people get such jobs. Thank you.