

ECONOMICS U\$A
21ST CENTURY EDITION

PROGRAM #11
REDUCING POVERTY

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(MUSIC PLAYS)

NARRATOR: FUNDING FOR THIS PROGRAM IS PROVIDED BY ANNENBERG LEARNER

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FRANK STASIO: Economics USA, a 21st Century Edition audio supplement designed to explore 21st century challenges to micro and macroeconomic principles. The subject of this edition is poverty. I'm Frank Stasio. My guest is Robert R. Korstad, Kevin D. Gorter Professor of Public Policy and History at Duke University. Professor Korstad is co-author of, "To Right These Wrongs: The North Carolina Fund and the Battle to End Poverty and Inequality in 1960s America." Professor Korstad Welcome.

(MUSIC ENDS)

ROBERT KORSTAD: "It's nice to talk to you."

FRANK STASIO: You know I tried to understand what if any role the government should play in relieving poverty in the 21st century. We should probably do at least a cursory review of the way that understanding has changed over time, beginning in the 1930's. Now until then taking care of the poor was seen as the responsibility of churches and other charitable organizations. Why and how did the government become involved in the 1930's?

ROBERT KORSTAD: "Well I think the level of economic distress in the 1930's was so great that those traditional organizations, the family, the church, community organizations, ethnic organizations of various kinds; they just didn't have the resources to meet the needs of people, you know, the height of the depression, a quarter of Americans were out of work, and the numbers were probably even higher than that. There were people working just part time, a few hours a week. You had the dust bowl, the crisis in agriculture, so it was one of those kinds of calamities, both economic, and some natural calamities, that required something that only the government, as large as the United States government was at that time, that could really step in."

FRANK STASIO: And how much of that was seen as a social safety net, helping people in need, and how much was an effort to just get the economy moving again?

ROBERT KORSTAD: "I think it was a combination of both. I think people understood, F.D.R., and a lot of the people that worked with him understood, that the best way to provide a safety net for people was to get the economy going again; and so they were willing to make investments in the economy in particular places that did in fact have a multiplier effect, by putting people to work that were out of work, doing jobs that were good for the society. Those people had wages, their families could eat better, the grocer could eat. It was a real trickledown effect when you

start at the bottom, and I think that is one of the things that are very different.”

FRANK STASIO: Trickle up in a way because the money is going directly to the people in need, and then working through the system. Now Lyndon Johnson’s War on Poverty, which is something you studied, represented a fundamental shift in the way the government sides’ role, wasn’t it?

ROBERT KORSTAD: “Yes, I think that in this particular case the formal government saw that an important part of its role in addressing poverty was by trying to mobilize, and getting people who were in poverty to take some of the responsibility for their own situation, and the phrase that was used was maximum feasible participation of the poor, and this was a requirement for most war on poverty programs-- that you have to have a certain percentage on all parts, and decision making bodies had to be from poor communities.”

FRANK STASIO: Have the nature or the causes of poverty changed after WWII, changed from, say, the 1930’s?

ROBERT KORSTAD: “Well I think in the South, certainly the automation, and the mechanization, that was taking place in agriculture, had a tremendous impact on the kind of poverty that you saw in the 1950’s, and the 1960’s. When you had literally millions of people in cotton primarily, but in tobacco, and other agricultural processes, you know, had been displaced by mechanization. The cotton picker could pick as much cotton as dozens and dozens and dozens of people, and one of the problems there too was that automation and industry, and automobile, and steel, and tire, and rubber; they’re going through the same kinds of processes, so the job growth that had really gotten us out of the depression, and provided that employment for twenty, or thirty years, was starting to diminish.”

FRANK STASIO: So we know that the war on poverty in a sense became difficult to sustain Lyndon Johnson, in effect, fighting a two front war in Vietnam and here at home. Hard to sustain, but what are the metrics? What do we know about the effectiveness of the war on poverty?

ROBERT KORSTAD: “Well actually, in North Carolina, we reduced through a combination of the kinds of community action programs of the kinds of efforts that the North Carolina Fund made, plus changes at the federal level and anti-poverty funds. We reduced poverty in half in North Carolina in less than ten years.”

FRANK STASIO: How about nationally?

ROBERT KORSTAD: “The numbers in the nation go down about the same. So there was a big cut. Its better Social Security benefits for the elderly. Medicaid, Medicare I guess, really helped wipe out poverty among senior citizens, and then the Social Security got tied in with the cost of living increases, and so there were programs like that, plus; and this was where the community organizing was really important is there were millions of people who were entitled to benefits from a lot of different social service programs, who weren’t getting those. They didn’t know about them, they didn’t know how to register. Local officials were reluctant to provide that kind

of information, so this is one of the things that happened was this mobilization really gave people an awareness of the programs that were available for them.”

FRANK STASIO: So this was effective, but was it too expensive, unsustainable in the long run?

ROBERT KORSTAD: “I think that the program was less about money in the long run than it was about the shift in political power; and I think what you see with Mayor Daily in Chicago, or county commissioners, and the mayors in towns in the South, in North Carolina, was this mobilization of the poor, this funneling of money that was going directly to community action programs, and agencies. It wasn’t going through traditional sources where it could be used for patronage, you know. It became a real challenge to establish political power, and I think that had more to do with the ending of the war on poverty than the fact that we were fighting a war in Vietnam, or anything else.”

FRANK STASIO: There was a backlash in the 70’s, again. There was a sense anyway, because of rising inflation, high interest rates, some economists put the blame on taxes, and then they said, “Taxes are too high. You cut taxes, cut government spending, business will get moving again, and it won’t matter that you cut poverty programs. The market is going to take care of those jobs, it won’t matter.”

ROBERT KORSTAD: “Right, and this is a notion that had been around since the beginning of the New Deal. I mean, there had been a conservative response to the New Deal that very much articulated the issues as you described, and that really began to build momentum, I think, in the 1960’s, the impact of the Civil Rights Movement, the impact of this mass migration. People were, conservatives were, very concerned about the impact that the federal government was having. I think that in North Carolina at least, we found that this new conservative movement really built itself, was able to organize itself around the opposition to the war on poverty, and to the political mobilization, and to the expansion of federal programs so that you get to, in the 1970’s, that is still going on, and Ronald Reagan’s election in 1980, is really the culmination, the victory for that point of view, but it has its, I think it has its real roots in the 1960’s.”

FRANK STASIO: And you talked about the importance of the political mobilization, the threat that was to the power structure that wasn’t getting the money, not able to hand out the benefits, because power had become decentralized. Had the poverty program also become racialized?

ROBERT KORSTAD: “It certainly had. Lyndon Johnson, when he created the war on poverty, was very determined to keep this from being seen as an extension of the Civil Rights Movement. He saw that, rightly so, that poverty was actually a majority white problem. There were lots more white people in poverty than there were African-Americans; but that was one of the ways that the opposition organized around it, organized against it, that it was able to convince people that the war on poverty was primarily another group of programs that would benefit, were benefiting, blacks, and not whites.”

FRANK STASIO: So for all of these reasons there is a backlash. You mentioned the election of Ronald Reagan, in 1980, and the so-called supply site model now has free reign. What was the result of that?

ROBERT KORSTAD: “Well the result of it was, I think, a fairly determined assault on the New Deal, the Ronald Reagan tribe who didn’t have the political power to really change the whole way in which Social Security was done. There were new tax policies that benefited the wealthiest Americans. There were also cuts in income tax, state tax, corporate taxes, and so you had the beginnings at least—and this has been going on for the last thirty years—of this kind of massive redistribution of wealth from America’s working, and middle class to the top 1% of the population.”

FRANK STASIO: What does that do to the supply side model, then? It says as businesses improve so will the fortunes of workers.

ROBERT KORSTAD: “I think that their notion was that somehow it would provide jobs, and put more people to work. The problem was those workers were continually seeing the real value of their wages decrease overtime. So, yes there’s a lot more people going to work, families are somewhat able to survive because they have in a lot of cases women joining the labor force. So family income remains fairly stable, but the individual earnings of one bread winner is not enough for the family to survive on, and so what this notion of the trickle down—which David Stockman, who was the director of the Office of Management Budget for President Reagan—eventually admitted that this trickle down notion was something that was pretty much fabricated. It wasn’t solid economic research that showed that this was going to have an effect, and so what happens is the taxes get cut in all kinds of ways, and the wealthy hold on to their money. They are not investing it in the United States anymore, they are looking for, and there is a lot of speculation going on. In some ways we have seen the result of that in the last few years.”

FRANK STASIO: But if real wages aren’t rising, and you know capitalism requires growth, it requires a good 3% growth every year that means we are spending less. Isn’t that ultimately self-defeating if workers aren’t rising with productivity?

ROBERT KORSTAD: “Capitalism does have to continue to grow and expand. I think that what we are seeing in the United States, and what we have been seeing since the 1980’s is that American capitalists have become less concerned about demand within the United States, and more concerned with demand abroad. I read a very interesting article recently in which the author was arguing that manufacturers today in the United States basically don’t care what happens to the American middle class, because the market for their goods is so large in China, and the Middle East, and other parts of the developing world, that their focus, and attention, is on producing things that Chinese, and Middle Eastern people will consume, and so this whole notion of Henry Ford’s, really—that you had to pay your workers enough so they could buy your cars—doesn’t hold true anymore.”

FRANK STASIO: Does the fact that we now live in a globalized economy change the way that we think about government intervention, and relieving poverty?

ROBERT KORSTAD: “I think that with globalization and the new kinds of trade agreements that we have around the world, and the way in which corporations have become international corporations, I think it means that there is a real challenge in trying to figure out how to address

what is becoming a kind of increasing impoverishment of Americans, generally. I think that from the middle class on down it's going to be a long time, if ever, before we reach the kinds of levels of consumption, and job security, and living security, that we had in the 1950's, 1960's, and some in the 70's. So I think that there are arguments that we don't have the money anymore. I mean all the arguments that are going on right now about the Federal Budget are just variations of what we are going to continue to see."

FRANK STASIO: Professor Korstad, thank you very much.

ROBERT KORSTAD: "Thank you, Frank."

(MUSIC PLAYS)

FRANK STASIO: Robert R. Korstad is Kevin D. Gorter Professor of Public Policy and History, and Senior Fellow at the Kenan Institute for Ethics at Duke University. Professor Korstad is co-author of, "Too Right These Wrongs- the North Carolina Fund and the Battle to End Poverty and Inequality in the 1960's in America." I'm Frank Stasio.

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