



## **“Reclaiming The Land Of Opportunity: Conservative Reforms For Combatting Poverty”**

**U.S. Senator Marco Rubio introduced by AEI President Arthur Brooks**

**Remarks As Prepared For Delivery**

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### **Arthur Brooks:**

Good afternoon, ladies and gentlemen. I’m Arthur Brooks, president of the American Enterprise Institute.

On January 8, 1964—50 years ago today—President Lyndon B. Johnson declared a War on Poverty.

How is the battle going?

The past half-century has had its ups and downs, but the past half-decade offers reason for pessimism. Consider just a few facts. Since January 2009,

- Labor-force participation has fallen to 63 percent. The smallest fraction of Americans since the 1970s are employed or seeking work;
- Uptake of disability insurance — permanent unemployment for millions — has surged by 20 percent. On average, a million new people have begun collecting disability every year;
- Unemployment among African-American teens has climbed to 38 percent.
- The top half of the economy is in full recovery. The bottom half faces an economic growth rate of, effectively, zero.

The administration is quick to blame the Great Recession, and everyone knows the fierce headwind that the economic crisis created. But ultimately, there will be no excuses: History will assign responsibility to the current president and Congress of the United States. Unless there is real progress immediately, the past five years will be remembered as the time America gave up ground in our War on Poverty.

For the sake of people who need our help and are being left behind, it’s time for new ideas that move past the tired, ineffective dogmas of income inequality and class warfare that vilify some Americans while not helping the poor.

New ideas are why we are here today. We are going to hear from Florida Senator Marco Rubio on “conservative reforms for combatting poverty.” Senator Rubio has been a tireless proponent of opportunity conservatism, and today presents what are in his view, the best new ideas to aid those in need.

Senator Rubio is in the business of fighting for people, and we’re all excited to hear what he has to say. After his remarks, we will have a few minutes of Q&A. Senator Marco Rubio.

## **Senator Marco Rubio:**

My mother was one of seven girls whose parents often went to bed hungry so their children wouldn't. My father lost his mother when he was nine. He left school and went to work at a local restaurant at about the same age of my youngest son now.

My parents, like most people that have ever lived, were raised in a country where they were trapped by the circumstances of their birth. But just ninety miles away there was a country where, through hard work and perseverance, anyone could get ahead. And so they came here with virtually nothing.

Their first years in America were difficult. They worked long hours for little pay. But they kept on, and in time, their lives improved. They never became rich or famous and yet they lived the American Dream. Because like most people, for them happiness wasn't about becoming wealthy. It was about finding work that paid a livable wage. It was about a happy family life, retiring with security, and one day giving their children the chance to be anything they wanted.

My parents' story, of two everyday people who were given the chance to work their way into a better life, is a common one here in America. A defining national characteristic rooted in a principle that was at the core of our nation's birth: that everyone has a God given right to live freely and pursue happiness.

This conviction has proven to be far more than just a line on a founding document. It has become the shared and defining value of a nation. It has set America apart and attracted people from every corner of the world.

The visionaries, the ambitious, the people who refused to accept the stagnant ways of the old world, they came here. They brought their ideas and their dreams. And finally, free from the restraints placed upon them in the nations of their birth, they helped build the most prosperous nation in human history.

We are still a country where hard work and perseverance can earn you a better life. The vast majority of Americans today live lives much better than their parents. Yet we are rightfully troubled that many of our people are still caught in what seems to be a pervasive, unending financial struggle. It bothers us because we are a people united by the belief that every American deserves an equal opportunity to achieve success.

Fifty years ago today, President Lyndon Johnson sought to address the plight of poverty by waging a war against it. On that day, he stood before a joint session of Congress and vowed, "It will not be a short or easy struggle, no single weapon or strategy will suffice, but we shall not rest until that war is won."

His very next sentence served as a small window into his big-government vision for this war, and into its future failures. He said of the War on Poverty, "The richest nation on earth can afford to win it." And with those words, he foreshadowed the belief still held by liberals to this very day: that government spending is the central answer to healing the wounds of poverty.

Today, the debate on poverty is primarily focused on the growing income gap between the rich and poor. From 1979 to 2007, income for the highest-earning Americans grew more than it did for anyone else. From 1980 to 2005, over 80% of the total increase in income went to the top 1% of American earners.

These are indeed startling figures, and they deserve attention. But they do not give us a complete view of the problem before us.

Yes, the cashier at a fast food chain makes significantly less than the company's CEO. The problem we face is not simply the gap in pay between them, but rather that too many of those cashiers are stuck in the same job for years on end, unable to find one that pays better.

And it is this lack of mobility, not just income inequality, that we should be focused on.

For most Americans, their primary aspiration is to achieve a better life. For some, that means becoming wealthy, and there is nothing wrong with that. But for most, they just want to be able to live a happy and fulfilling life. To earn a livable wage in a good job. To have the time to spend with family and do the things they enjoy. To be able to retire with security. And to give their own kids a chance to do as well or better than themselves.

The good news is that, even in the midst of our economic struggles, most Americans have been able to do that. For example, close to 50% of people in the bottom fifth of the income scale in 1996 had climbed into a higher income bracket less than 10 years later.

Many of these Americans have children that then go on to earn even more. Eighty-four percent of Americans have higher family incomes than their parents had when they were the same age. And among all income levels, the current generation is doing better than the one that came before it.

But for some Americans, this kind of mobility isn't happening. For example, 70% of children born into poverty will never make it to the middle class. The uncomfortable truth is that there are now a number of other countries with as much or more opportunity than ours. In fact, more people in Canada go on to surpass the income of their parents than in the United States.

America is still the land of opportunity for most, but it is not a land of opportunity for all. If we are to remain an exceptional nation, we must close this gap in opportunity.

Why are so many poor Americans trapped at the bottom? Why are so many working harder than ever only to find their dreams slipping farther out of reach?

And why do so many suffer from a growing sense of insecurity, knowing they are one bad break away from losing everything they worked so hard for? There are a number of reasons.

Our modern day economy has wiped out many of the low-skill jobs that once provided millions with a middle class living. Those that have not been outsourced or replaced by technology pay wages that fail to keep pace with the cost of living. And even many of the middle-skilled white- and blue-collar jobs have also been lost to automation or shipped overseas.

At least until a few decades ago, our economy proved sufficiently dynamic and innovative to replace old jobs with new ones. But this hasn't happened in recent years.

Social factors also play a major role in denying equal opportunity. The truth is, the greatest tool to lift children and families from poverty is one that decreases the probability of child poverty by 82%. But it isn't a government spending program. It's called marriage.

Fifty years ago, today, when the War on Poverty was launched, 93% of children born in the United States were born to married parents. By 2010 that number had plummeted to 60%. It should not surprise us that 71% of poor families with children are not headed by a married couple.

The decline of marriage and the increase in the percentage of children born out of wedlock is driven by a complex set of cultural and societal factors. But there is another interesting impediment to marriage worth keeping in mind. A 2011 report by the Pew Research Center found that 64% of adults with college degrees are married, while only 47% of those with a high-school education or less are.

A lack of education is contributing to inequality in other ways as well. The jobs that have replaced the low and middle skill jobs of the past pay more. But they require a high level of professional, technical, or management skills. And we simply have too many people who have never acquired the education needed to attain those skills.

What's worse, children from lower income families are the least likely to get an advanced education. The result is a vicious cycle of intergenerational poverty.

These economic, social, cultural and educational causes of opportunity inequality are complex. And they will not be solved by continuing with the same stale Washington ideas. Five decades and trillions of dollars after President Johnson waged his War on Poverty, the results of this big-government approach are in.

We have four million Americans who have been out of work for six months or more. We have a staggering 49 million Americans living below the poverty line, and over twice that number – over 100 million people – who get some form of food aid from the federal government. Meanwhile our labor force participation is at a 35-year low, and children raised in the bottom 20% of the national income scale have a 42% chance of being stuck there for life.

Our current President and his liberal allies propose that we address this by spending more on these failed programs and increasing the minimum wage to \$10.10.

Really? That is their solution to what President Obama has identified as the defining issue of our time?

Raising the minimum wage may poll well, but having a job that pays \$10 an hour is not the American Dream. And our current government programs, offer at best only a partial solution. They help people deal with poverty, but they do not help them escape it.

The only solution that will achieve meaningful and lasting results is to provide those who are stuck in low paying jobs the real opportunity to move up to better paying jobs.

And to do this we must focus on policies that help our economy create those jobs and that help people overcome the obstacles between them and better paying work. The War on Poverty accomplished neither of these two things.

And we can achieve these two goals. We have the single greatest engine of upward mobility in human history at our disposal: the American free enterprise system.

Real free enterprise doesn't cause wealth to accumulate in the hands of a few while leaving everyone else to live off the leftovers. And it does not, as some in both parties have forgotten, lead to corporatism, where those with the power to influence government win at the expense of everyone else.

Real American free enterprise is about a broad and growing economy that creates opportunities for everyone to get ahead. It creates the opportunity to become wealthy. But it also creates good and stable middle class jobs like the ones my parents had.

But instead of fostering a vibrant job-producing economy, our federal government is a major impediment to the enterprise and ingenuity of our people. An expensive tax code, burdensome regulations, and an unsustainable national debt are suffocating our economy's ability to create enough steady and good paying jobs. That is why poverty and inequality have only gotten worse under the current administration.

Instead we need policies that make our country the easiest and best place in the world to create jobs. This means removing the uncertainty created by a dangerous and growing national debt, enacting a simple and affordable tax code that incentivizes investment, and eliminating regulations that prevent employers from expanding and our energy sector from growing.

But we can't stop there. Allowing free enterprise to flourish alone is not enough. We have to address the complex and interrelated societal, cultural and educational impediments holding so many people back.

A child born into a poor and broken family, living in a dangerous and violent neighborhood and forced to attend a dysfunctional school is, in all likelihood, not going to have the same opportunity to succeed as a child growing up in a stable home, in a safe neighborhood and attending a good school.

An unwed mother with a poor education and abandoned by the father of her children faces significant challenges to a better life.

The poverty found in rural areas has some characteristics that are very different from the poverty found in inner cities.

These are complex problems. And our current collection of overlapping government programs ignores and even exacerbates them. Instead of continuing to pour money into our existing programs, we need to reform them through innovative and highly targeted solutions.

But that is something the federal government is incapable of delivering. Washington is too bureaucratic and resistant to change. And its one-size-fits-all approach to policy is not conducive to solving a problem as diverse as this one.

Therefore, what I am proposing today is the most fundamental change to how the federal government fights poverty and encourages income mobility since President Johnson first conceived of the War on Poverty fifty years ago. I am proposing that we turn Washington's anti-poverty programs – and the trillions spent on them – over to the states.

Our anti-poverty programs should be replaced with a revenue neutral Flex Fund. We would streamline most of our existing federal anti-poverty funding into one single agency. Then each year, these Flex

Funds would be transferred to the states so they can design and fund creative initiatives that address the factors behind inequality of opportunity.

This worked in the 1990s with welfare reform. In that case, Congress gave the states the ability to design their own programs, and in turn the states enacted policies that promoted work rather than dependence. In the years that followed, this led to a decline in poverty rates and welfare expenses.

However, despite this success, Washington continues to rule over the world of anti-poverty policy-making, with beltway bureaucrats picking and choosing rigid nationwide programs and forcing America's elected state legislatures to watch from the sidelines. As someone who served nine years in the state house, two of them as Speaker, I know how frustrating this is.

It's wrong for Washington to tell Tallahassee what programs are right for the people of Florida – but it's particularly wrong for it to say that what's right for Tallahassee is the same thing that's right for Topeka and Sacramento and Detroit and Manhattan and every other town, city and state in the country.

A nation as large and diverse as the United States of America should have a menu of state level policy options that is just as large and diverse.

Already, we see evidence that when states can manage the resources necessary to experiment with such programs, they see dynamic and transformative results.

For example, while Washington debates how and whether to fund the existing unemployment insurance program, states are finding innovative approaches to get people into good paying jobs.

In Utah, in order to continue receiving unemployment benefits, the long-term unemployed were required to take online training courses that focused on skills needed for modern professionals, with topics spanning from resume building to career direction to interview skills.

The state tracked the progress of the participants and found that, before the courses, their professional preparedness was at the equivalent of a D+. But upon completion of the training, their preparedness had climbed to a B+.

And remarkably, what began as a requirement quickly turned into a sought after tool. 36 percent of participants found the courses so helpful that they voluntarily completed more training than required.

And it also helped them find a job faster. Among the test group, unemployment duration was reduced by 7%.

The program has now been taken statewide in Utah, and a 7% reduction in duration of benefits is expected to save \$16 million dollars annually, not to mention the boost to the state's economy and culture from a more engaged labor force.

A similar program was also attempted in Mississippi. Only in that case participants increased their preparedness by a staggering 31 percent.

Another in Kentucky found that workers spent 2.2 weeks less on unemployment insurance benefits when required to take training courses.

These are the kind of innovations we are looking to unleash, not just with unemployment insurance, but throughout the entire web of government assistance programs.

Right now, these kinds of innovations are difficult to pursue because Washington controls the money. But I know from my time in the Florida legislature that if states were given the flexibility, they would design and pursue innovative and effective ways to help those trapped in poverty.

As we've seen, they could put in place programs that give those currently stuck in low-wage jobs access to a job training system.

They could put in place relocation vouchers that will help the long-term unemployed to move to areas with more jobs.

They could remove the marriage penalties in safety net programs like Medicaid.

And they could enact a nearly infinite number of other nimble and targeted reforms to address the needs of their people.

But allowing the states greater control doesn't mean Washington gets to wash its hands of this problem. There will still be a role to play for the federal government.

We should pursue reforms that encourage and reward work. That's why I am developing legislation to replace the earned income tax credit with a federal wage enhancement for qualifying low-wage jobs. This would allow an unemployed individual to take a job that pays, say, \$18,000 a year – which on its own is not enough to make ends meet – but then receive a federal enhancement to make the job a more enticing alternative to collecting unemployment insurance.

Unlike the earned income tax credit, my proposal would apply the same to singles as it would to married couples and families with children. It would also be a preferable means of distributing benefits since it would arrive in sync with a monthly paycheck rather than a year-end lump-sum credit. And it's a better way of supporting low-income workers than simply raising the minimum wage.

Of course, the enhancement will be highly targeted to avoid fraud or abuse and the amount will depend on a range of factors. But we know that by promoting work over dependence, this reform would increase work-force participation in struggling communities and, in turn, would have numerous social, economic and cultural benefits to areas hardest-hit by the Great Recession.

Ultimately however, any reform effort would be incomplete if they failed to facilitate the ultimate wage enhancer: skills training for those in low-wage jobs. Many do not have the time or money to pursue a traditional education. We can help them by bolstering and reinvigorating our nation's existing job training system.

While our workforce delivery system must be driven by states, the federal government can help address the shortage in many skilled labor jobs by creating more pathways toward obtaining these certification credentials, and by encouraging alternatives to the traditionally accredited college degree.

Unlike our current programs, these reforms address the causes of opportunity inequality, not just the consequences. And as a result they will help move our country closer to a day when widespread poverty is a memory, and equal opportunity is available to more people than ever before.

The erosion of equal opportunity is among the greatest threats to our exceptionalism as a nation. But it also provides us with an exciting and historic opportunity: to help more people than ever achieve the American Dream.

The millions currently trapped in poverty and despair are a tremendous untapped resource. Just think of what it would mean for America to gain full use of the talents and abilities of all her people.

They would develop new innovations to improve our lives, or help build the next great American company. They would be doctors in our hospitals and scientists in our labs. They would be customers for our businesses and partners in our investments. They would be leaders in our government and pastors in our churches.

We are a great country despite the fact that we have over 40 million people stuck in poverty. Imagine how much greater we would be if they were not. If the dreams and talents of over 40 million human beings were unleashed into our economy.

I haven't been in Washington long, but I've been here long enough to know that everything here gets analyzed through the lens of electoral politics. But upward mobility and equal opportunity is not a partisan issue, it is our unifying American principle.

And it has always been a focus of my public service going back to my days as a state representative. Because for me, this is personal.

I am but a generation removed from poverty and despair. Where would I be today if there had never been an America? What kind of lives or future would my children have if this was not a land of opportunity? What if my father had been stuck working as a bar boy his whole life instead of making it to head bartender.

What kind of life would I have right now? In all likelihood, I too would be among those on the outside looking in, forever frustrated that my parents had no power or privilege and that I was therefore unable to achieve my full potential.

Our status as a land of equal opportunity has made us a rich and powerful nation, but it has also transformed lives. It has given people like me the chance to grow up knowing that no dream was too big and no goal out of reach.

Some of my earliest memories are of my parents and my grandfather instilling in me the belief that I could strive to achieve for myself whatever kind of life I wanted, even though they had lived humble lives themselves.

Now there are those trying to access these same opportunities. Working in this very building, there are struggling parents trying to give their children the chances my parents gave me. Within walking distance of this very place, there are children growing up like I did, with dreams just like mine. Whether or not



they get the chance to improve their lives will determine whether we remain a special place, or become just another country.

For fifty years now, we have tried big government. Yet too many people remain trapped in despair. Now, we must try a new way. One that addresses the things keeping so many people from the better life they want.

For the idea that everyone deserves a chance still binds us together as a people. Despite our many challenges, this is what we want our nation to be. And that is why I know that like those that came before, we will solve this problem. In the end, we will do what Americans have always done: whatever it takes to keep America special.