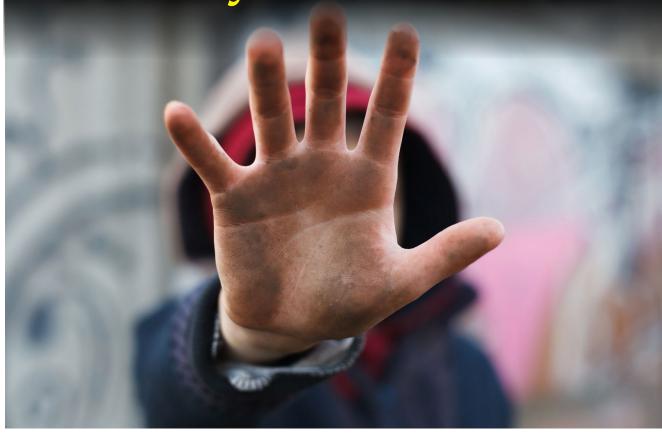
Essays in Celebration of John Brandl's Uncommon Quest for Common Ground Grasping and Reducing Poverty in Minnesota



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Bulk orders of this publication are available by contacting Peter Zeller at Peter.Zeller@AmericanExperiment.org or 612-338-3605. Essays in Celebration of John Brandl's Uncommon Quest for Common Ground

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FOREWORD

Laura Bloomberg, Ph.D. Dean Humphrey School of Public Affairs University of Minnesota

Fifty years ago, and just shortly before his assassination, the Reverend Dr. Martin Luther King launched the "Poor People's Campaign" to shine a bright light on the economic injustices that plagued large swaths of the United States. The campaign launched just four years after President Johnson had announced in his 1964 State of the Union Address a "War on Poverty" that ultimately led to Congress passing the Economic Opportunity Act in that same year. We were a nation in economic crisis, and yet this congressional move had seemed a hopeful sign. Sadly, four years following the passage of this landmark legislation, King decried the continued lack of economic progress and the persistence of economic insecurity, particularly among people of color in this country.

Fast forward five decades to the present and earned income disparities among Americans stubbornly persist and, in some places, continue to grow at an alarming pace. The gap between the richest and poorest in our country widens, and the number of children living in extreme poverty is unacceptably high. This remains particularly true for people of color in America. Addressing the conditions, the precursors, and the ultimate societal impact of poverty is indeed a grand challenge. This is highly complex work: the specific antecedents of poverty are numerous and often evolve over time and across generations. Addressing the impacts of poverty exceeds the resources or knowledge of any single discipline, organization, or sector. Clearly this complex endeavor defies a uniform approach. In fact, history has often shown us that single-sector or single-minded approaches yield shortsighted outcomes and, often, unintended and undesired outcomes.

In 2015 the American Enterprise Institute and the Brookings Institution joined forces to form the Working Group on Poverty and Opportunity to take a fresh look at poverty in America through a consensus-based and bipartisan lens. The 15 members of this AEI-Brookings working group met for over a year to create a consensus plan to "reduce poverty and restore the American Dream [by bridging] the partisan divide and suggesting a way forward despite the political polarization and gridlock that has paralyzed much of Washington." The plan is grounded in contemporary data on poverty rates, mobility, education levels, employment and marriage in America today. The culminating report advances a consensus-based set of recommendations for a values-based path forward.

The AEI-Brookings working group started a bipartisan conversation that we believe is vitally important and deeply relevant in Minnesota today. Put simply: the authors and organizations represented in this compilation want to keep the focus on poverty. We want this problem solved.

Fifty years after the Poor People's campaign, and just a few years after the AEI-Brookings report, this compilation of papers presented by some of Minnesota's leading civic organizations does not—*and is not intended to*—offer definitive solutions to poverty in Minnesota circa 2018. We realize there is no unified consensus on strategy, no silver bullet to fully eliminate poverty in our state or our country. And yet similar to those involved in the AEI-Brookings working group, the authors of the essays that follow are unified in this firm belief: *Addressing poverty in Minnesota and across America remains a fundamental human rights imperative of our time.*

In his essay on Poverty in Minnesota, Steve Young, Executive Director of the Caux Round Table for Moral Capitalism, offers a high-level tutorial on core economic principles underlying questions of poverty reduction and accrual of wealth (defined generally as income exceeding expenses). Young outlines opportunities for poverty reduction through largely private sector capitalism and/or largely public or government sector transfer payments, and advances the argument that rarely if ever have societies achieved optimal economic outcomes without striking a balance between private sector enterprise and moderating involvement from governments. Young makes the case that we cannot consider economic or monetary capital without a commensurate focus on the social and human capital necessary to keep the full model in balance

In his essay Mitch Pearlstein, Founder and Senior Fellow of Center of the American Experiment, begins by affirming the AEI-Brookings working group paper, commenting that "In the same spirit of bipartisanship and compromise that marked the writing of Opportunity, Responsibility, and Security, I'm happy to endorse, to one degree or another, almost everything in that excellent report." Pearlstein goes on to advocate for a focus on the institutions marriage and two-parent child raising as central to addressing key antecedents of generational poverty. In his paper Pearlstein contrasts "conference tables," where formal policy and politics drive the dialogue, and "kitchen tables" where societal norms, mores, values and beliefs take center stage. We would do well to recognize that the cultural elements of greatest significance to family well-being are more kitchen table than conference table in nature.

In contrast to the arguments advanced by Pearlstein, Angelica Klebsch, Policy Director of the Citizens League, challenges all of us to step back and examine the lens through which researchers, academics, policymakers and policy commentators draw conclusions and render judgments about the causes of poverty. Klebsch asserts that when value judgements are made through a lens of mainstream, middle-class, cultural majority experiences, we ignore how the privileges of environment influence choices made. The extent to which one values the institution of marriage may well be adversely affected, for example, by a war on drugs that has disproportionately resulted in the incarceration of poor young men of color, while economic mobility traditionally attained though a college education can be stifled by financial realities that can suppress the full realization of potential.

Senior Fellow and President Emeritus at Growth & Justice, Dane Smith proposes that we re-cast our thinking from poverty reduction to a broader focus on creating economic equity and eliminating the yawning disparity between the highest-level income earners and the rest of society living in poverty, near poverty, or with a substantial amount of economic insecurity. Smith outlines Growth & Justice's forthcoming *One Minnesota Equity Blueprint* that, among other policy principles, challenges us to maintain an unvarnished and unwavering focus on the shameful racial inequalities that persist across the whole country, but especially in Minnesota.

As readers will note, these essays occasionally advance arguments and values that conflict with each other. Such is the nature of grappling with grand challenges in a [small "d"] democratic manner. In functioning democracies, we advance our agendas, we disagree, debate, deliberate. When we are at our best we also engage with each other across our different perspectives, we listen to others' ideas with intention, we entertain the possibility of re-examining our own assumptions, we allow ourselves to be challenged, we get comfortable with getting uncomfortable, and we influence each other's thinking in a collective effort to advance the common good. This was the essence of John Brandl, the incisive scholar and impactful policymaker for whom this compilation of papers is dedicated. Since Brandl's untimely passing in 2008, the organizations represented here have honored his memory under the banner of "John Brandl's Uncommon Quest for Common Ground" by convening politically diverse thought leaders in tribute to Brandl's longstanding example of engaging with individuals who hold vastly different views in an effort to amplify our commonly held principles and priorities.

After holding multiple leadership roles in the Johnson Administration and serving terms in both the Minnesota House and Senate, John Brandl went on to serve the University of Minnesota as dean of the Humphrey School of Public Affairs from 1997 to 2002. He preceded me in this role by some 15 years. I did not know John personally when he led the School, although by that time I had come to know him well by reputation. John and I share a hometown (St. Cloud, Minnesota) and high school alma mater (St. Cloud Cathedral).

John graduated high school a quarter century before I arrived, and had already left Washington and returned to serve in the Minnesota Legislature when I was a high school freshman at Cathedral. Many of the dedicated nuns I had as high school teachers had also been John's teachers several years earlier—and they proudly made certain we followed Brandl's political and academic career. Although I disagreed with some of his policies at that time, I grew to appreciate his collaborative style and inclusive approach.

Years later, near the end of John's life, I had poignant opportunities to spend time with him at the Humphrey School and compare notes on our respective childhood and high school experiences in St. Cloud. My personal memories of John Brandl will always be of a committed educator with a fierce intellect, demanding standards, strong values, a kind heart and a wry sense of humor. This is a winning combination for embarking on the all-too-uncommon quest for common ground. John set an example for us to live by. In honoring the memory of John Brandl, we present this collection of essays to our fellow concerned community members. We present it, not as a definitive treatise on eliminating poverty, but as an evocative thought-piece to inspire consideration, dialogue, debate and – *most importantly* – a commitment to act. If society is ever to fully benefit from the collective capacity of all our citizens, then we *must* persist in our quest to address the unacceptable conditions of poverty that substantially and cruelly limit the prospects of far too many individuals and families. In 2018, fifty years after Dr. Martin Luther King's Poor People's Campaign, this remains a *human rights* imperative we simply cannot afford to ignore.

Minneapolis, MN October 2018

POVERTY IN MINNESOTA WHAT IS TO BE DONE?

Stephen B. Young, J.D. Global Executive Director Caux Round Table for Moral Capitalism

Since the dawn of time, there have been only two ways for people to rise out of poverty: one, they can earn income and wealth; or, two, income and wealth can be given to them.

The first way is what we generically have come to call "capitalism." The second way is redistribution of income and wealth from some to others. Economists call this way of ending living in poverty "transfer payments" or "rents," justified on moral grounds as entitlements to those who should have more than they do.

An economic "rent" comes to a status, being deserving, say, or having a position of power, outside ordinary market risk-taking. The wealthy can charge rents for the use of their property, including brands; the poor have nothing but their labor, physical and mental, to exchange for income. But, importantly, ending poverty through the acquisition of income from capitalism or transfer payments, requires in each case, first, the creation of income and wealth, through activities which we describe as economics. Without economic transactions generating more income than is currently being earned, no new wealth can be created.

This reality is well expressed in the old quip: if you want gold, the first thing to do is to catch the goose which lays the right kind of eggs.

The Caux Round Table recommendation for reducing poverty in Minnesota is, first of all, to promote the creation of new income and wealth. This should be done before turning to transfer payments as the solution. More wealth in more homes will reduce the need for transfer payments. New wealth has also proven to be self-sustaining in that it creates more new wealth for the future, ever expanding economic activity.

Thus, if we want to improve living standards for Minnesotans, we must generate income – income for more consumption and savings. Since income over expenses turns into wealth, the origin of wealth is income. Once accumulated, wealth can be transferred or turned into more wealth. With income and wealth in hand, we can then set in place structures which will allocate it one way or another: what share should go to those who created it and what share to others who are entitled to enjoy some of it?

Unfortunately, a recent commentary in *The Economist* asserted that economics as a discipline and economists as a profession can give no satisfactory explanation of the causes of economic growth. This view of things is discouraging, indeed, for those who seek to reduce poverty, but it may not be fully insightful.

From the perspective of the Caux Round Table, economic growth – in a microcosm, enterprise success and on the macro scale, global GDP – follows on the employment of capital to provide goods and services to be sold at a price which is more than the cost of production.

Thus, vital to the reduction of poverty in Minnesota are the conditions which favor or discourage investment in enterprise and the profitability of enterprise. Here we confront the conventional issues favoring or discouraging investment and enterprise: who to tax to pay for public goods and how much to tax them; and how much and in what way to regulate private conduct to (1) reduce negative consequences of private economic activity which are public "bads"; or (2) to encourage positive, public "good' spillover effects from private undertakings.

Calibrating just how much or how little to tax and regulate keeps many thoughtful people up at nights. There seems to be no simple equation which will show us how to get everything we want – economic growth, plentiful and superior public goods, no public "bads," social justice, no poverty, robust work ethic, generous donors, etc.

Thus, we need first to consider just how private markets on their own without intentional interventions from government to bias outcomes, one way or another, can empower individuals to obtain income and wealth and so rise out of poverty.

There are three dynamic processes for individuals to gain more income and wealth over time: one is to borrow existing wealth to finance the making of a good or the doing of a service; the second is to use education to enhance our human capital whereby we can become of use to others in the market; and third is to save money until we have capital.

For nations to better their condition, social capital, which supports individual efforts, needs to be created and continually nourished. The components of social capital – the Rule of Law, trust in others, educational opportunities, and infrastructures beyond the capacity of markets to engender – are public goods. Such goods are beyond the ability of individuals on their own to produce as the costs of production are high and they are not suitable for individual ownership and so are most often not available for purchase in private transactions.

For a society to make itself wealthy, required is collaboration between private and public sectors. If a society attempts to become wealthy by using only private enterprise or only government fiat, it will fail to do so. The requisite social and human capitals will not emerge.

Furthermore, the rise of wealth in recent centuries and the elimination of most of the poverty experienced by humanity over the preceding millennia came about as the result of the industrial revolution and capitalism.

To better analyze the dynamics of enterprise success under conditions of capitalism, we expand the understanding of capital to include factors of production not part of the traditional formulas of academic economic theory. We assert that a successful business needs, in addition to financial capital and plant and equipment, other forms of capital – social capital, human capital, and reputational capital.

What makes a firm successful also works for individuals and for communities. Individuals seeking to make money need to employ social capital, human capital, and reputation capital in their quest for income and wealth. Communities seeking economic growth for their members need to produce and accumulate the same kinds of capital.

It is these intangible forms of capital, not money, which provide the ultimate source of prosperity. They are the foundation on which a profitable enterprise sets up shop.

A new book by Jonathan Haskel and Stian Westlake, *Capitalism without Capital*, argues that as our system of wealth creation evolves, intangible forms of capital such as reputation, knowledge, interpersonal skills, modes of organization, data, etc., more and more have become the justification for the market value of firms.

The World Business Council for Sustainable Development has proposed a social capital protocol to force economists and leaders in business and finance to pay more attention to social capital.

Our Caux Round Table has for many years ranked countries for their accumulation of social capital. Countries with high social capital accounts have higher standards of living. The poorest countries in the world have very low social capital accounts.

The World Economic Forum has a crude metric for ranking countries for the quality of their human capital.

Then, a new organization, the International Integrated Reporting Council, has published a case for having firms account for the social, human, and natural capitals required for the operations which provide them with profits.

Minnesota Economic Growth

I assume that in seeking economic growth in Minnesota it will be necessary to assure access to financial capital for those who seek to benefit from market participation. Of greatest concern should be access to such capital for those now largely shut out of financial markets – individuals, start-ups, small-scale local businesses. Our system of financial intermediation over the last 30 years has grown more and more concentrated in fewer and fewer firms with less and less effective provision of funds to higher risk borrowers.

As wealth has become more and more concentrated in the top 10 percent of Americans, circulation of liquidity has been directed towards income-earning possibilities out of reach for most Americans such as trading in financial markets. Low interest rates have discouraged savings for average citizens.

And regulations which impose costs on small and medium size enterprises without market power

to pass them on to customers should be carefully scrutinized for reasonableness.

But our concern at the Caux Round Table is to highlight the necessary contribution to wealth creation of intangible capitals – social and human. Where social and human capitals are robust and plentiful, the odds are better that financial capital will seek them out for investment opportunities. More skilled workers are more likely to be hired first. Good governance of firms through improved care of stakeholders will also attract financial investment.

The truth that intangible forms of social and human capital are vital for economic success was implied in Max Weber's famous association of capitalism with the Protestant Ethic. He argued that capitalism and economic growth through the Industrial Revolution started only in the 16th and 17th Century Calvinist cultures of Holland, England, Scotland, and their colonies in North America.

No other culture or society spontaneously created self-sustaining economic growth. Yes, Italian city states in Tuscany along with Milan and Venice had proto-types of financial intermediation, double-entry bookkeeping, contracts for trade, and business association before capitalism took off as a self-sustaining economic system. And, yes, the Chinese, centuries ago, had paper money and many sophisticated technical inventions. But nowhere in the world outside of those three Calvinist societies did modern wealth creation happen. The modern economic growth of humanity started with three Calvinist societies and then spread at different rates from them to the rest of the world.

Most of humanity since the rise of cities and states indeed did produce income and wealth through gainful endeavor – farming, distilling, weaving, metallurgy, other crafts, trade, but these antique economies could only support small elites with meaningful wealth and gracious manners. Most of our forebearers enjoyed only short lives in mean and poor conditions until the early 20th Century.

But today even very poor Americans live longer lives and eat and dress better than the kings and queens of ancient civilizations thanks to the industrial revolution and its global creation of wealth on a grand scale.

Adam Smith in his book on the new system of production emerging in his time examined it with a view towards learning just what was creating before his eyes "the wealth of nations." He titled his study "an inquiry into the origins and causes of the wealth of nations."

His most powerful insight was that the cause of new wealth creation on a large scale was specialization of function and the division of labor. Famously he used the example of making pins. When pins were made by one craftsman from start to finish only some 200 a day could be produced. But when the operations were separated into 18 different steps and divided among 10 workers, some 48,000 pins could be produced in one day – about 4,800 for each worker. Thus, the price needed to pay for pins so mass produced was much, much less than before. Lower prices were of most benefit to those less wealthy and especially to the newly emerging middle class.

Smith then looked closely at the financial arrangements needed to build and open factories and to hire workers. He called this the "stock" of the enterprise, its asset base. The stock of a company came from both money donated to meet the costs of the enterprise and labor dedicated to management of the money and of what it could buy.

What Smith mentioned almost in passing, however, were the capabilities, skills, and resourcefulness necessary (1) to raise money and (2) to manage the production cycle, including obtaining supplies and marketing the product successfully. The capabilities needed for success in enterprise were not financial. They were social and emotional in character. A good "stock" for a company included intangible human assets as well as ready money or its equivalent in machinery and inventory.

Smith did direct attention to the structures of society and government which facilitated individual acquisition of the needed social and emotional skills, including education and abolishing privileged monopolies. For Smith, monopolies detracted from creating the "wealth of nations" because they pushed prices too high, lowered quality, and deterred innovation and new methods of production. Smith was one of the first to link monopoly power (and state regulation or mercantilism) to rent extraction as opposed to subservience to market discipline.

To be blunt but to follow the observations of Smith, all that is needed for a person to earn income in private markets and start to rise out of poverty is something to sell, be it goods or services. Through transactions is income earned; through many transactions is wealth accumulated.

Often overlooked in our discussions of private markets is their social dimension. No one can sell anything without first attracting a willing buyer. Markets are social institutions. Individuals seeking to profit from enterprise must engage the values of others. Thus, we cannot consider income and wealth as coming from solitary individuals cut off from community, living alone with nature.

Consideration of how to reduce poverty in Minnesota through the creation of new income and wealth must embrace the social dynamics inherent in wealth creation: the intangible capitals of trust, culture, management and individual contributions to enterprise.

Following Weber and Smith

Following on Weber and Smith, David McCelland in the 1950s and 1960s developed the theory of personal achievement motivation as an explanation of where economic growth would occur. His assertion was that individuals and cultures with great need to achieve (N-Ach) would become more successful in wealth creation. The need-achievement he described was a part of both social and human capital. At the level of community norms, it was part of social capital. In an individual, it was part of his or her human capital assets.

Deidre McCloskey has written with great verve on what she posits as the necessary connection between the values and habits inculcated by Calvinism, and their later evolution into bourgeois standards of behavior in three books: *The Bourgeois Virtues: Ethics for an Age of Commerce; Bourgeois Dignity;* and *Bourgeois Equality: How Ideas, Not Capital Or Institutions, Enriched the World.*

In the 1990s Francis Fukuyama wrote about the role of "trust" in economic development. He pointed out that high trust societies had, in general, higher standards of living and that to the contrary, low trust societies were more impoverished. Trust is an individual capacity, a social/emotional skill. The trust levels among individuals in the aggregate constitute the trust dynamic of the community as part of its institutionalized social capital.

Societies with high levels of trust have found ways to inculcate that capacity in individuals as they are born and come to adulthood. And vice-versa, societies with low levels of trust, in general, have found ways to enhance mistrust among individuals as they grow to adulthood.

One can easily integrate Fukuyama's observation with Max Weber's on the role of Calvinism in sparking the rise of capitalism. Calvinist beliefs and values call forth high levels of trust and responsibility from adherents. Calvinist communities in churches and local politics display considerable mutual responsibility and high standards of duty among their members. Calvinists earned a reputation for being hard-working, thrifty, reliable persons.

The psychologist Erik Erikson believed that when people develop into adults, the years most fruitful in producing trust or mistrust as part of their core values occur in early childhood within the dynamic of the family.

In 2015, the World Bank issued a report on the dynamics of economic development called *Mind, Society and Behavior*. The Report cogently advocates invoking the powers of quality social and human capitals if economic development is to succeed.

The Report purported to "capture the idea that paying attention to how humans think (the processes of mind) and how history and context shape thinking (the influence of society) can improve the design and implementation of development policies and interventions that target human choice and action (behavior)."

"[T]o reduce poverty in Minnesota through the creation of new income and wealth we need to above all else improve our stocks of social and human capital."

The report argued that seeking to achieve economic growth must consider "human" factors based on recent findings on the psychological and social underpinnings of behavior. The report asserted that collective behaviors—such as widespread trust or widespread corruption—develop and become entrenched in a society.

The Report placed limits on how traditional market economics should dictate our thinking about achieving economic growth out of conditions of poverty: "The strength of standard economics is that it places human cognition and motivation in a "black box," intentionally simplifying the "messy and mysterious internal workings of actors" by using models that often assume that people consider all possible costs and benefits from a self-interested perspective and then make a thoughtful and rational decision.

> This approach can be powerful and useful, but in a number of contexts, it also has a liability: it ignores the psychological and so

cial influences on behavior. Individuals are not calculating automatons. Rather, people are malleable and emotional actors whose decision making is influenced by contextual cues, local social networks and social norms, and shared mental models. All of these play a role in determining what individuals perceive as desirable, possible, or even "thinkable" for their lives.

In October 2018, the World Bank initiated a ranking system for countries to measure their stocks of human capital as an encouragement to focus institutional resources on increasing the quality, and value-added capacity, of human capital as inputs for the production of economic wealth and growth in living standards and material human well-being.

That to reduce poverty in Minnesota through the creation of new income and wealth we need to above all else improve our stocks of social and human capital.

What is social capital more precisely?

It is more than the bowling together recommended by Robert Putnam.

It is institutions, mores, character traits, levels of interpersonal trust, effectiveness of civil society, the quality of governance. High quality social capital is a mutually reinforcing reciprocal interaction between institutions (family, church, stock markets, commercial law, property rights, etc.) and personal behaviors.

The institutions shape behaviors individual by individual and, in turn, the behaviors so inspired replicate the norms and practices which sustain the institutions day after day. It is a supportive cycle running in equilibrium from institution to individual, and then from individual to institution.

The requisite sustaining behaviors are shaped by values and beliefs shared by both institutions and individuals. It may be that the values and beliefs are the social capital DNA common to both

institutions and the individuals shaped by them to advance their objectives. The common values and beliefs also tend to keep the institutions faithful to the goals of the individuals who serve them.

Values and beliefs are a subset of social capital which I call Moral Capital.

Moral capital is engendered by and sustained by each individual's innate capacity which we call the Moral Sense. Neuro-science now tells us in considerable detail how our Moral Sense works in the pre-frontal cortex part of our brain and with neuro-transmitters such as Oxytocin. Our Moral Sense is the place where we learn and store, and from which we then apply, our skill sets of social intelligence and emotional intelligence.

Thus, to make Minnesotans better off we need to get the right social capital in place. We need to have the values and beliefs which will call forth the behaviors which will energize the institutions which will foster productive enterprise.

Human capital intersects with social capital. Good social capital engenders higher quality human capital while quality human capital then, reciprocally, contributes to good social capital. In the alternative, poor social capital engenders lower quality human capital, which then corrodes away the quality of social capital.

We can see in recent years the interactions of social and human capital in the opioid crisis and in the circumstances of those many Americans who have dropped out of the workforce. Weak human capital – caused by dysfunctions in families, education, culture – tolerates opioid addiction. Those whose lives are overwhelmed by opioid lifestyles act out in ways which degrade the social capital of their families, relationships, and communities.

Senator Ben Sasse has just written a book on loneliness as an American affliction. His comments show how loneliness as undermining the quality of human capital necessarily drains down our social capital assets as well. Now at every moment poverty itself degrades stocks of social capital and human capital. The World Bank Report concluded that "Poverty can contribute to a mindset that can make it difficult for people to realize their own potential to take advantage of existing opportunities. . . . It is important to consider how the process of delivering services or targeting poor people could be creating poor frames that further demotivate potential beneficiaries."

Daniel Goleman in his book Social Intelligence argues that there are interconnections between living environments and the quality of our human capital. For example, children born to mothers who are depressed or anxious and self-preoccupied have higher levels of stress hormones and lower levels of confidence inducing dopamine and serotonin. They will therefore become absorbed in their own anxieties and less attuned to those around them. They will prevent themselves from learning to use quality social capital because they live in conditions of poor social capital and have internalized the norms and practices of poor social capital into who they are as persons. Thus, according to Goleman, "it takes a socially intelligent family to help build what development psychologists call a "positive affective core" in children.

The quality of the human capital they thus form for themselves puts obstacles in the way of their adult success in society and economics.

Stress and Executive Functions

Further retardation of personal accumulation of quality human capital occurs under conditions of stress, according to Goleman. We generate cortisol in response to stress. Cortisol damages the functioning of the hippocampus, slowing the rate at which neurons are added to our brains or even reducing the total number of neurons available for our use, either of which limits our ability to learn.

Slow learning then cripples our acquisition of human capital assets, including the special intelli-

gence which enables us to profit from the quality social capital around us or to avoid the effects of poor social capital in our environment.

Weakness in the emotional side of human capital formation occurs in the orbitofrontal cortex of the brain.

Jonathan Haidt's book *The Righteous Mind*, Paul Zak's book *Trust Factor*, and Daniel Pink's study of right brain skills – *A Whole New Brain* – reinforce the conviction that human capital counts for our success and failures in earning income and accumulating wealth.

We have a chicken and egg problem. We need eggs to get chickens and chickens to give us eggs. Which should we seek to get first: a chicken or an egg?

We need social and human capital to overcome poverty but those in poverty seem to encounter difficulty in coming up with community best practices which build higher quality social capital, and which promote excellence in human capital accumulation.

The decisions which lead to more or less production of quality social and human capitals are the domain of governance – of the individual, in the family, and, on the macro level, of the community, the firm, and the society.

Governance embraces government of the public sphere, the police powers of the state. It also sets the vision and mission for companies, determines their business models, their attention to risk management, how they engage with their many stakeholders, and what is the content of their culture. At the level of the individual, governance is self-management, the attainment of adult maturity under the influence of wisdom and virtue ethics. Family and community governance is more consensual, requiring reciprocity and forbearing to balance out the emotional and other needs of individuals belonging to the collective largely through voluntary willingness and personal identity needs. Individual governance is often referred to as our executive function. According to the relevant entry in Wikipedia, skills necessary for the cognitive control of behavior select or successfully monitor behaviors that facilitate the attainment of chosen goals. The prefrontal cortex is necessary but not solely sufficient for executive functions; for example, the caudate nucleus and subthalamic nucleus also have a role in mediating inhibitory control.

Executive functions include basic cognitive skills such as attentional control, cognitive inhibition, inhibitory control, working memory, and cognitive flexibility. Higher order executive functions require the simultaneous use of multiple basic executive functions and include planning and fluid intelligence (i.e., reasoning and problem solving).

Executive function is impaired in addiction, attention deficit hyperactivity disorder, autism, and a number of other central nervous system disorders. Stimulus-driven behavioral responses that are associated with a particular rewarding stimulus tend to dominate one's behavior in an addiction and vitiate executive functions.

Thus, a major contribution to the overcoming of poverty at the level of the individual is education in character and virtue, as long ago recommended by Aristotle and Mencius, to name only two. Building up a person's executive function capacity provides that person with human capital of inestimable value

In his recent book *12 Rules for Life*, Jordan Peterson presents what could be considered achievements in the acquisition of human capital. His concepts for use of the executive function constitute a form of virtue ethics. Peterson calls his recommendations for use of the executive function "an antidote to chaos". I would rather consider them exercises in practical wisdom as an aid to successful navigation of life's ups and downs.

When seeking to build up stocks of quality social and human capitals to support robust wealth creation, we rely upon education. Education provides private goods to the individuals who are empowered thereby, but it also simultaneously provides public goods in that the spillover effects coming from rightly educated and skillful individuals improve outcomes for others and for society in general. As Adam Smith famously noted, what individuals do can have unintentional systemic effects

When we look at remediation of poverty from a more systemic perspective, analysis of financial intermediation as a social structure is essential. Adam Smith noted that firms seeking to benefit from the division of labor must have a "stock" of funds, machinery, and skilled workers. Generally speaking such "stock" is acquired with ready money. Karl Marx devoted considerable intellectual effort to defining the kinds of "capital" which moved between money and labor and then from labor back to money to produce profit for the owners of private firms.

Finance not only requires trust among those who risk funds in transactions. It is entirely social in its operations, linking together many parties, including these days governments which issue the fiat currencies providing the liquidity necessary for all efforts seeking to create wealth.

Thus, in Minnesota it behooves us to look at access to finance as a social structure and systemic dynamic. If we seek to promote growth, we must provide finance on reasonable terms to those who can use it for productive investment on the part of individuals or teams.

As a closing observation, if we expect the private sector in Minnesota to optimize the generation of income and wealth for the society as opposed just to owners, who may not even live in Minnesota, we should encourage them to adopt their business practices to the seven principles for responsible business advocated by the Caux Round Table. The seven principles can be found at <u>http://www. cauxroundtable.org</u>

POVERTY, CULTURE & MARRIAGE

Mitch Pearlstein, Ph.D. Founder & Senior Fellow Center of the American Experiment

In the same spirit of bipartisanship and compromise that marked the writing of *Opportunity*. Responsibility, and Security, jointly released in 2015 by the AEI/Brookings Working Group on Poverty and Opportunity, I'm happy to endorse. to one degree or another, almost everything in that excellent report. Given this all-aboard spirit, the most useful contrarian contribution I can make is to focus on matters of culture, which is to say on what is usually stressed only weakly, if at all, in other discussions about poverty. This is not true, I'm pleased to report, of the AEI/Brookings paper, but it is usually case on most other occasions in Minnesota and the rest of the United States when the subject is poverty and perhaps especially opportunity.1

But before continuing, I trust it's clear that ideas such as "bipartisanship" and "compromise," along with the likes of "principle" and "amiability," captured the character and career of the man whose life we celebrate with this collection of papers, our late friend John Brandl, and his "Uncommon Quest for Common Ground."

I'm certainly not of the mind that public policies are largely irrelevant in reducing poverty; of course, they can help, often a lot. Likewise, I don't believe that "structural" or "institutional" impediments to economic and social success don't exist; of course, they do, albeit not to the extent routinely argued.

What I *do* believe is that when considering how to lessen poverty and increase opportunity, not nearly enough attention is usually paid in public to culture, by which I mean elusive but critical things and traits such as values, norms, attitudes, and faith. Or, if you prefer, personal responsibility, behavior, and grit.

To compensate for well-practiced skewing and discounting, what follows is a discussion purposely heavy on cultural themes, and purposely light (albeit not voiceless) on the kinds of political and policy arguments that regularly dominate public discourse and debate. This includes both political campaigns and the actual ways in which governments, at all levels, seek to help people in economic need.

Let's start by retrieving a metaphor I used frequently two and three decades ago but hardly at all more recently: the differences between "conference table" and "kitchen table" conversations when talking about the hardest social problems we face as a nation.

A conference table conversation can be thought to include combinations of business, labor, education, nonprofit, and foundation leaders; governmental officials, both elected and appointed; scholars, researchers, and concerned citizens, among other men and women. Think of them as good and honorable people, because they usually are.

Whatever the societal ill under discussion, participants around conference tables generally focus on matters of policy, politics, and economics as major causes as well as means of possible reform. They also focus on obstacles posed by embedded injustices, most notably racism as major ways of understanding complex and politically sensitive problems in the first place.

In contrast, kitchen table conversations can be thought to include family members, friends, fellow congregants and others from various segments of one's life. And instead of imagining "kitchen tables" in kitchens or dining rooms only, think of them in other settings too, including restaurants, coffee shops, undercrofts, and homes of friends. If it's a substantial and balanced kitchen table conversation, it certainly will cover matters of politics, economics, and the like, as well as historic obstacles that make it harder for some people to succeed. But critically, people around kitchen tables also focus on the importance of initiative, drive, and personal agency; elusive but pivotal determinants.

Kitchen tablers (don't bother looking it up) also frequently address the central role played by faith and religious institutions in motivating people to do what's right more often than they otherwise might. Not incidentally, a glass or two of wine may encourage some participants to talk more freely than they usually do, but that likely won't subtract from the basic soundness of their arguments, which might be summarized as the impossibility making sufficient progress in any sphere if personal virtues aren't celebrated in hard-working fact, not just easy rhetoric.

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Over the years, I've used this two-table metaphor most frequently regarding what I've long described as the overwhelming social disaster of our times: The huge numbers of boys and girls who come into this life outside of marriage, and/ or grow up in homes emptied by divorce, and who consequently suffer holes in their hearts where their daddies, or sometimes their mommies, or sometimes where both should be. Not nearly enough progress will be made in reducing poverty so long as more than 40 percent of all American babies are born outside of marriage, with proportions well over 80 percent in various communities, including those (defined both geographically and demographically) in Hennepin and Ramsey counties. This is more certain than any other point I can make.

So, how to fix a marriage-diminished culture that

contributes to poverty and that many smart people believe has been beyond fixing for decades? Some thoughts, some of which are, in fact, dependent on what politicians and policymakers devise and do.

I'm happy to acknowledge the AEI/Brookings paper is more forceful in talking about the importance of marriage than I remember it being when I first read it in 2015. There are qualifications and caveats, surely, including references to how cohabiting parents, not just married ones, can provide stability for their children, even though the report simultaneously stresses how cohabiting relationships tend to be much shorter and less stable than married ones. For example, "cohabiters are three times as likely to split by the child's fifth birthday as are married couples (39 percent of cohabiters vs. 13 percent of married couples), with important

consequences for the child's development."²

The report is also strong, again to its great credit, regarding the pivotal role of culture in all of this. Two brief excerpts³:

So, what can be done? We've said that marriage matters. But past government efforts to encourage unmarried parents to marry have not proven very effective. Promoting marriage to strengthen American families isn't primarily an issue of specific policies or programs in any case: it's in large part a matter of culture. Political leaders, educators, and civic leaders – from both the political left and right – need to be clear and direct about how hard it is to raise children without a committed co-parent.

And a few seconds later:

It's not a small thing for leaders to be clear in this way – cultural norms are influenced by the messages leaders send. Major cultural norms have been changed many times before when leaders expressed firm and unequivocal views about even entrenched cultural attitudes, including norms surrounding civil rights and gay rights. Presidents, politicians, church leaders, newspaper columnists, business leaders, educators, and friends should all join in telling young people that raising kids jointly with the children's other parent is more likely to lead to positive outcomes than raising a child alone.

Question: Are political, religious, and other leaders doing any of this? Barely and sporadically at best.

Most of the rest of this essay draws on three American Experiment publications released over the last three years:

The most recent is a paper by Lawrence M. Mead of New York University,

"Restoring a Marriage Norm," released in January 2018.4 Incidentally or not, Professor Mead, a political scientist who has written extensively about poverty and ways to reduce it, was one of the 15 members of the AEI/Brookings Working Group on Poverty and Opportunity.

A symposium featuring 30 writers, "Was Trump and Clinton's Campaign Silence Regarding Family Fragmentation Golden?5 Released in April 2017.

And a symposium featuring 36 writers, "Fragmented Families and Silence of the Faithful." Released in March 2015.6

The pertinence of each is often striking. Let's begin with the opening of Professor Mead's paper, "Restoring a Marriage Norm."

Marriage, he writes, "is in decline in America, to the detriment of individuals and society alike, and yet we do essentially nothing about it. In this paper I contest the common view that little *should* be done. Among the many causes of the problem, the most important is the erosion of marriage as a norm. Marriage is still honored in theory, but this value is no longer morally binding. For marriage to recover it must again become a norm that people feel they have to observe."

But this is made more difficult, Mead continues, by defeatism. "Most scholars of the subject describe the decline of marriage, but they are resigned about it. Few if any suggest any solutions. This reticence is surprising in light of the damage that the fall of marriage has done to America."

Overcoming this reticence has been one of the strongest threads running through virtually everything American Experiment has published about marriage since the start of the Center in 1990. A main reason for this, one that is most germane

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here, is that failing to embrace marriage as a societal good is tantamount to accepting poverty as a societal constant. Encouraging more men and women fortunate to have followings to confidently and clearly speak up was the core animation behind "Fragmented Families and Silence of the Faithful," as I asked symposium contributors to address why religious leaders are key to lifting the quietude and how they might help in doing so. Here are three samples.

Todd R. Flanders is headmaster of Providence Academy in Plymouth, Minnesota. "Religious schools have always taught and defended traditions of faith, which connect rational purposes of love, sex, and marriage with the transcendent. It's ironic that now religious schools must, virtually alone, teach and defend a traditional understanding of rationality itself."

Stephen B. Young is Global Executive Director of the Caux Round Table. "The psycho-social sequence I see leading to either stable marriages or broken and dysfunctional marriages starts with the individual character and then flows to capacity for trust and commitment and then to the quality of relationships. Because religious institutions, traditions, and leaders – or the lack thereof – shape the beliefs, virtues, and habits that constitute personal character, they load the dice for or against success in social relationships."

Ken Lewis retired after nearly 40 years of pastoral ministry in the Baptist General Conference:

"Children need a family and a church, but they need families and churches that are more than mutely filling a slot. They need parents, pastors, mentors, and teachers who will talk to them and tell them the truth that will set them free."

Shortly after the 2016 presidential election, I asked another group of symposium writers to consider two questions: "Was Trump and Clinton's campaign *silence* regarding family fragmentation *golden*? Or was it *leaden*, especially when it comes to reducing poverty, improving education, and reversing crime?" Here are three more acute excerpts.

Rhonda Kruse Nordin is a writer and an American Experiment Senior Fellow. "Indeed, today's families come in all shapes, therefore, most people are loath to judge, especially those who need a vote. Yet maybe the two candidates should have ventured more boldly into the topic of family fragmentation. It surely touches all of us, if at least peripherally, and is at the root of most, if not all, the big issues the Brookings Institution listed that presidential candidates should have addressed in 2016."

Ian Rowe is CEO of Public Prep in New York, a network of charter schools. "Both Clinton and Trump decided to capitalize on America's growing culture of victimhood where individuals are rewarded for belonging to some wronged identity group. Why bother to speak of root causes like family destruction when they could attract voters either by finding scapegoats to distract from personal responsibility or by reaffirming personal powerlessness by citing forces beyond the oppressed locus of control?" William J. Doherty is professor of family social science at the University of Minnesota. "As a moderate progressive with a keen interest in preventing family fragmentation I'm accustomed to being a lonely voice in my tribe. I was able to count on conservative public officials to keep the issue in the public dialogue, as evidenced by President George W. Bush with his Healthy Marriage and Responsible Fatherhood Initiative. Now both sides seem silent. Nowhere is this avoidance more evident than around the profound problems being experienced by working-class whites in Middle America.... I don't have the prescription for the needed cultural change, but I know we have to begin with honest conversation that involves public officials and other leaders."

So far, I've advocated speaking up as a main means of changing the culture. Or, more precisely if implicitly, I've urged fortitude in speaking up. While most of what I suggest is straightforward that doesn't mean talking about it is simple and without risks, as fear of saying "insensitive" things about sensitive issues can be dangerous. But let's finish by recognizing another route to reducing poverty which draws on American Experiment's multi-year "Great Jobs Without a Four-Year Degree" project. An initiative that enriches a culture of work in large measure by focusing on policy-grounded programs and activities.

To date, the project has focused primarily on high school students and the vital decision they must make about what kind of education route to pursue after graduating. A four-year effort leading to a bachelor's degree? Or if they're not interested in doing that for financial or other reasons, what about a two-year program leading to an A.A. or A.A.S. degree? A one-year or two-year certificate? An apprenticeship? Or perhaps job training in the military?

But what about young men and women who have no interest in continuing their formal education after graduating high school? Or what about people who drop out of high school entirely? Especially regarding members of this latter group, what chances might they have of escaping, if not "official" poverty, then something close to it? Might the education options promoted by Great Jobs Without a Four-Year Degree be of any use to those who assume their days of formal education are over while still in their teens? Might such options expand painfully cramped opportunities? Yes, of course, they might.

A final point and admission.

A careful reader may have noticed that words and terms such as "addiction" and "mental illness" have been missing until now. This has been major omission insofar as homelessness, among other manifestations of poverty, is a frequent result of one of these afflictions, or both in debilitating tandem. Obviously, this is not to deny other factors, but the degree to which addictions of various kinds and mental illnesses of various severity get downplayed and sometimes ignored completely is striking. I would like to report I purposely dismissed them in preceding pages to make this very point. But I'm afraid that's not the case, as it didn't occur to me for weeks they were nowhere to be found.

Perhaps my first time on MPR following the opening of Center of the American Experiment in early 1990 was as a responder to a recorded speech given a few months earlier in Rochester, MN by Mitch Snyder, a high-profile advocate for the homeless in Washington, DC, who had just committed suicide. Homelessness, he seemed to passionately argue, had nothing to do with addiction and mental illness since he never mentioned either one of them, but a fair amount to do with Ronald Reagan, who he mentioned more than once, if I recall. It's hard to believe that a person as intimately familiar with homeless shelters, as Snyder was, could be as forgetful about addiction and mental illness as I was above.

Whatever one thought of Reagan and his policies, it was absurd to think they were the dominant cause of homelessness. The fact, moreover, that I had just moved back to Minnesota from Washington, where my office was a few blocks from Snyder's shelter, reinforced my view that more was at play then Reaganomics, or any kind of economics.

If I were to draw a lesson from this it might be that regardless of whatever vantage point one chooses to understand poverty and seek its alleviation – be it a mostly cultural lens like mine, or an economic frame, political frame, ideological frame, racial frame, or any other kind – pivotal matters of addiction and mental illness probably won't fit any such template neatly. But the two must be grappled with. And, yes, I recognize how extraordinarily hard this usually is.

POVERTY IN AMERICA *REDEFINING PROBLEMS AND SOLUTIONS THROUGH AN INCLUSIVE LENS*

Angelica Klebsch, M.P.P. Policy Director Citizens League

The history of our great nation has long been narrated by those with the privilege of access to the pens that write it. Decade after decade, assessments are issued and prescriptions written by mainstream, middle- and upper-class intellectuals from cultural majorities, with value judgments cast through the lens of their lived experience that ignores how the privileges of their surroundings guided their ability to make one set of choices over another. Less privileged communities are declared to have flawed judgment, misguided values, an unwillingness to pull on the classic bootstraps despite being bootless, to paraphrase Dr. Martin Luther King, Jr.

This classist tradition appears in the 2015 publication of the AEI/Brookings Working Group on Poverty and Opportunity titled "Opportunity, Responsibility, and Security: A Consensus Plan for Reducing Poverty and Restoring the American Dream." The roster of authors with a heavy presence of academics and think tank directors and few voices from communities of color or in poverty is reflected in statements made with an air of scholarly examination—a top-down approach that does not include the explicit perspectives of the very people being discussed. The result is an analysis that points to faulty decision-making standards as the root of a range of problems plaguing diverse low-income communities—ignoring that such decisions are never made in a vacuum.

This theme appears throughout the report's 88 pages, beginning with its definition of responsibility as "being accountable for things over which one has control, or has a duty of care" (p. 11). This definition frames the conversation and implies that choice is independent of historical and cultural context, a problematic assertion because the implications found in the report's many conclusions indicate, quite simply, that when one fails to be responsible, one is not entitled to the rewards of better choices—one reaps what one sows.

But what if one's choices are limited by one's historical circumstances? The report points to incarceration rates "especially among black men [that] grew relentlessly until 2008 and remain at a very high level" (p. 14). It is doubtful that any black man reflected in those rates ever aspired to be incarcerated. And while the data on the numbers that do face incarceration may be clear, it does not offer context. The infamous War on Drugs, for instance, with mandatory sentencing for non-violent offenders, resulted in a spike in drug offenses, as seen in Figure 6 of the 2012 Bureau of Justice Statistics report¹ on correctional population trends. Figure 9 of the report further highlights the disproportionate effect of mandatory sentencing policies on the black male population

Cynical claims of the intentions of the War on Drugs to target black communities are not unfounded. In a 2016 interview, John Ehrlichman, domestic policy advisor to Richard Nixon, confirmed long-held theories:

You want to know what this was really all

Figure 6. Drug offenders in state prison, by admissions and releases, 1980–2009

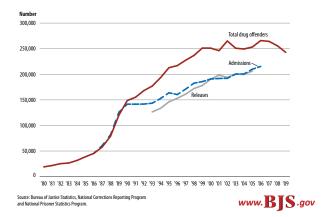
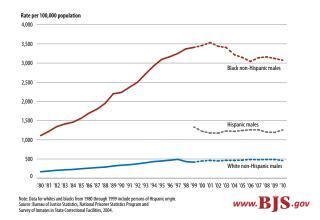


Figure 9. Sentenced male prisoners under state or federal jurisdiction per 100,000 residents, by race and Hispanic origin, 1980–2010

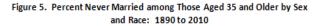


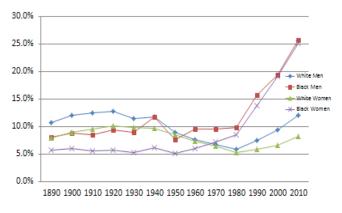
about?" he asked with the bluntness of a man who, after public disgrace and a stretch in federal prison, had little left to protect. "The Nixon campaign in 1968, and the Nixon White House after that, had two enemies: the antiwar left and black people... We knew we couldn't make it illegal to be either against the war or black, but by getting the public to associate the hippies with marijuana and blacks with heroin, and then criminalizing both heavily, we could disrupt those communities. We could arrest their leaders, raid their homes, break up their meetings, and vilify them night after night on the evening news. Did we know we were lying about the drugs? Of course we did."²

The War on Drugs was hardly the only event that ravaged black communities in the latter half of the 20th Century. The decline of the manufacturing sector beginning in the 1960s led to waves of factory closures that displaced thousands of workers in urban cores across the United States. Redlining practices and limitations to mobility based on minimal generational and accumulated wealth kept many displaced black industrial workers and their families in growingly financially insolvent and decaying communities, while beneficiaries of the "white flight" phenomena began new lives elsewhere³. Levels of employment in black communities as high as 87 percent in 1948 reached a dramatic low of 55 percent by 1982,⁴ with two significant consequences most relevant to the discussion at hand.

The noted sociologist William Julius Wilsonwho was surprisingly not cited in the AEI/ Brookings report despite his expertise on the matter-has long chronicled the damaging effect of the decline of the manufacturing sector on the perception of black men as "marriageable," as increased economic insecurity creates a smaller pool of desirable partners. Eleanor Holmes Norton adds that the rise of the "underground economy, the drug culture, epidemic crime and even a highly unusual disparity between the actual number of men and women all owe their existence to the cumulative effect of chronic joblessness among men."⁵ She further notes the self-perpetuating effects of originating in and adapting to the unique demands of an economically decimated environment-that is, developing "the skills necessary to survive in the streets are those least acceptable to the outside world."

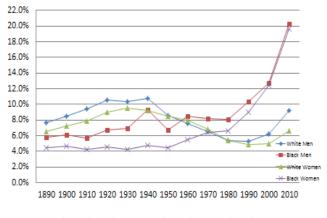
Within this context, U.S. Census data on marriage trends makes sense, such as Figures 5 and 6 of a 2012 working paper⁶ from the Bureau's Social, Economic, and Housing Statistics Division. Both graphs show a relatively stable percentage below 12 percent among black and white men and





Source: U.S. Decennial Census (1890-2000): American Community Survey (2010). For more information on the ACS, see http://www.census.gov/acs

Figure 6. Percent Never Married among Those Aged 45 and Older by Sex and Race: 1890 to 2010



Source: U.S. Decennial Census (1890-2000): American Community Survey (2010). For more information on the ACS, see http://www.census.gov/scs

women who had never married between 1890 and 1980. An incline in the trend appears after 1980 for all groups, but the massive increase for black men and women illustrates the enormous disparity in marriage rates that occurs during the two major events described.

More recent studies show that sudden declines in local labor demands produce similar, if less extreme effects in communities with white majorities⁷ and identify the common underlying factor as traditional gender norms: the decreased "economic stature of men diminishes the gains from household specialization and therefore reduces the prevalence of marriage, while a decline in women's economic opportunities has the opposite effect."⁸ These norms and findings have been seen in communities with a black presence as miniscule as that of Appalachia.⁹

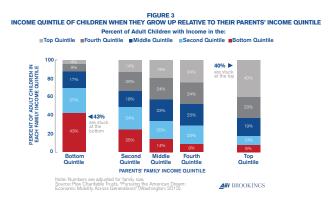
This disavowal of context is what creates a risk for the recommendations of the AEI/Brookings report to be perceived as tone deaf by members of the communities discussed. What is far worse, the report's approach to defining problems subtly perpetuates classist and racist beliefs about the morals and intentions of the flawed culture of the poor, and especially the black poor. The report stresses promoting "new" cultural norms around marriage and delayed childbearing as part of its recommendations for reducing poverty in America. It acknowledges existing evidence on the negative effect of an unsteady income on the perception of marriageability. It does not, however, acknowledge how this unsteady income is a product of at a minimum (1) generational joblessness fueled by American trade strategies (not to mention public health findings on the effects of chronic joblessness on mortality rates that result in more women than men in the black population as a whole); (2) the loss of a sizable number of men in brown and black communities in connection with minimum-sentencing policies of the War on Drugs (policies that admittedly targeted black communities); and (3) how these two sociological events are connected when the decline of the manufacturing sector contributes to the rise of underground drug market economies.

The AEI/Brookings report does not connect these historical occurrences to the contemporary state of poor communities, and proclaims only that "it's hard to imagine a vibrant community with strong families and safe neighborhoods for children when half the young men who live there don't have regular employment" (p. 25). Coded language places blame squarely on members of these communities and their set of values, such as this passage advising those who may wish to intercede:

What can policymakers do to promote strong, stable, and committed families?

Clearly these are difficult areas for policy, since they in-volve deeply personal choices and values. Many of the challenges are about culture more than legislation or programs. (p.32)

Apathetic judgments like these further devalue entire communities already on the margins by suggesting there is little room for intervention when challenges are categorically rooted in deficient cultures. The report offers striking data on how limited economic mobility is for children born into poverty (Figure 3), and at the same time blames their conditions on a lack of adult "responsibility." If responsibility is about choices, however, an emphasis on the role of unassumed responsibility in perpetuating poverty must also recognize the role of historical access to opportunities from which to choose.



Take for instance, access to post-secondary options. The AEI/Brookings report paints a rather clear-cut scene, with a relatively linear path from problem to solution:

- Educational attainment and achievement is one of three broad trends preventing mobility and greater progress against poverty (the other two being family composition and work and wages) (p. 19).
- The educational attainment gap between

children from wealthy and poor families is growing, and the absence of post-secondary credentials causes people to fall further behind those with "these tickets to success" in our modern economy (p. 12).

- This achievement gap is explained by a "parenting gap" where children from low-income families receive significantly less quality time and attention from their parents (p. 36).
- Therefore, the government can "promote better parenting" by investing in educational pre- and post-natal nurse visits and other programs that provide guidance for more nurturing child rearing (p. 36-37).

Reducing the achievement gap to such simple terms, however, once again discounts historical and environmental factors in favor of a solution based on a judgment of good and bad parenting. Children from high-income families are not immune to experiencing little quality time and attention from parents. Where that time and attention may be lacking, however, resources are available to close the "parenting gap": hired support, private schooling, additional tutoring or coaching-an abundance of professional support options not available to low-income families. A rudimentary solution of educating low-income parents to improve their child rearing skills disregards what might be perpetuating diverted attention from their children, such as income pressures, traumatic effects of cultural criminalization and incarceration, access to healthful foods as many poor communities are also food deserts, or access to low cost/high quality physical and mental health care. In other words, pointing to a "parenting gap" as the key problem and describing the solution as "promoting better parenting" is another instance of coded language that suggests a deficiency in ability or willingness, a need to merely educate and inform, without addressing the systemic barriers low-income parents continually face while desiring the same successful outcomes for their children as parents of

any other income bracket.

Beyond how a "parenting gap" might be influencing post-secondary educational attainment, consider what students encounter when they do enter post-secondary institutions. The college completion rate for students from high poverty high schools within six years of graduation was 18 percent in 2016, compared to 52 percent of students from low-poverty high schools.¹⁰ A 2015 sample of 15,000 students found similar graduation rates-14 percent for students in the lowest income quartile, compared to 60 percent for students in the top income quartile—and further noted that even among academically strong students, 41 percent of those who came from low-income backgrounds graduated by the time of the study, compared to 74 percent of those from high-income backgrounds.11

The crux of the issue for those seeking post-secondary credentials lies not in a "parenting gap," but rather, in a financial and social capital gap. Low-income students may have to work during their post-secondary studies to support themselves and their families, putting a strain on their ability to perform well academically and remain in yearslong programs to completion. Low-income students must also largely self-finance post-secondary educations, navigating financial aid and loan processes often without the guidance of a parent or other family member, who may themselves be unfamiliar with such systems (effectively making low-income students first-generation students as well). Like other first-generation students, low-income students encounter difficulties with cultural adaptation, feeling isolated and alienated when facing differences in norms, values, and expectations on college campuses that lead to feelings of straddling two different worlds without full acceptance in either.¹² And like other first-generation students, lack of social capital for low-income students means limited access to institutional guidance, including working knowledge of bureaucratic systems, awareness of faculty approachability as a primary resource,¹³ and even basic note-taking, time-management, and financial literacy skills.14

Then there are the practical challenges a low-income student may face during their post-secondary studies, such as homelessness, food insecurity, child care needs, and critical financial setbacks (a disabled vehicle, for instance) that might not destabilize a middle- or high-income student. Students who overcome all these hurdles and graduate from college are still not guaranteed a life free from poverty. College graduates still face wage disparities and hiring and workplace discrimination by gender, socioeconomic class, and race across industries and job types. The student loans that were necessary to make it to graduation lead to reductions in spending power and economic mobility opportunities, making a seemingly middle-class income insufficient for covering middle-class needs. And while people with at least a bachelor's degree have the lowest poverty rates in the United States, 3.7 million degree-holders were living in poverty in 2017, an increase from 3.3 million people in 2016 15

Additionally, a 2016 Brookings study found significant differences in the "Bachelor's bump" experienced by degree holders from different socioeconomic backgrounds: college graduates from low-income families earn 91 percent more than high school graduates from low-income families over the course of their careers, while college graduates from families with incomes over 185

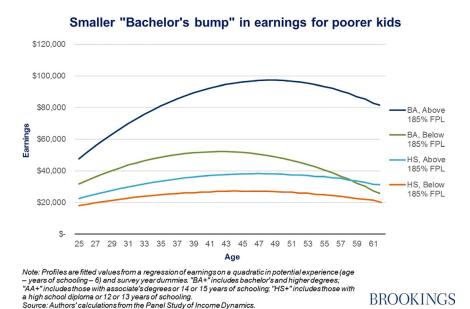
poverty line earn 162 percent more than their high school graduate peers.¹⁶ While doubling the income of their high school peers is a remarkable feat for lowincome college graduates, the real earnings peak this represents maxes out at about \$52,000 by age 43, as seen in the Brookings figure on the right.

percent of the federal

All of this is not to devalue the benefits of a college education, particularly for people living in poverty, or to suggest that completion of a college degree is an impossibility given the myriad obstacles to be overcome. Indeed, studies have found gains in college retention and graduation rates when student support programs aimed at low-income/ first-generation students include a structured freshman year experience, an emphasis on academic support, an active and intrusive approach to advising, a plan to promote participation, and a strong presence on campus.¹⁷

That is the key to designing policy solutions and programmatic prescriptions: they must account for historical context, current environmental factors, access to resources and opportunities, and life experiences, both those that have already been lived and projected experiences following implementation. Doing so increases effectiveness because root causes are understood, considered. and addressed. Designing solutions without taking into account lived experience can have harmful and traumatic effects on the very population being targeted for relief. For instance, the AEI/ Brookings report recommends socioeconomic integration of schools as a way to provide better access to educational resources for low-income students, saving:

[S]ocioeconomic integration of schools can have clear population-level effects,



improving the academic achievement of low-income children without hurting the achievement of middle-income children. But the key to both helping the low-income children and not hurting middle-income children is to maintain a numerical and cultural majority of middle-class students. (p.66).

This model, and the subsequent explanation of how to integrate schools, shows concern for middleclass students but does not understand the experience of the low-income children to be integrated or consider their emotional well-being. While they could ultimately benefit economically as adults, the trauma of being part of a small contingent of low-income students in a sea of middle-income classmates can have long-lasting identity and quality-of-life effects similar to ethnic assimilation experiences. A policy that includes the specific needs of these students seeks to mitigate the negative effects of integration and boost potential longterm economic benefits. It could include (1) explicit support of the model by teachers, advisors, and other professional school staff; (2) additional financial support for school supplies, field trips, and other educational costs that can be barriers to seamless participation; and (3) attenuation of visible class markers, such as institution of school uniform policies. Andersen United Community School in Minneapolis provides school uniforms to lowincome homeless and highly mobile students and even has laundry facilities on site for the use of social work staff for these students' uniform needs.

The AEI/Brookings report does not include a single interview with a person living in poverty, no direct feedback from the population being "studied." This is not new, of course, but the exclusivity of policymaking is a standard that must be challenged. Lived experience informs the practicality of policy solutions and sheds light on what a population in question actually wants, how it functions on a day to day basis, how it perceives the systems around it and its place within them. Those most impacted by a problem should be part of defining it and be part of the solution—a value that is an operating guideline of the Citizens League. By incorporating voices from affected communities at various stages of policymaking processes, root causes are better understood and solutions have the potential to be long-lasting because the people involved and the communities they represent have greater ownership.

In our models, academic and professional expertise is appreciated, respected, and invited, and we see importance of lived expertise as well. Our study committees include stakeholders at all levels, with extra effort made to recognize and compensate for power dynamics so that all voices are elevated and all participants feel equally valued and included. Accessibility to the process is supported by stipends for missed wages, assistance with transportation and child care costs, translation and interpretation availability, and consideration of the time, day, and location where the work happens. By bringing together in this way a fast-food worker, a business chamber president, a labor organizer, and a nonprofit executive to discuss a municipal minimum wage, for instance, the resulting policy is robust, well-informed, and lessens unintended negative consequences for the stakeholders involved. Value judgments are minimized; Citizens League provides a neutral convening ground that identifies differences for study and comparison to learn together and better understand public policy issues in search for common ground and effective, community-led solutions for actual needs.

The practice of examining and solving for public policy matters with the very communities at the heart of the issue may not be widespread, but it is inclusive, collaborative, and democratic—ideals that honor the legacy of John Brandl's uncommon quest for common ground, the work of those who have participated in Citizens League projects for over 66 years, and the aspiration to make our state a better place to live and work, for *everyone*.

LET'S MOVE BEYOND THE "WAR" ON POVERTY AND FOCUS BROADLY ON EQUITABLE PROSPERITY CREATING A "ONE MINNESOTA" EQUITY BLUEPRINT

Dane Smith Senior Fellow and President Emeritus Growth & Justice

"An imbalance between rich and poor is the oldest and most fatal ailment of all republics." Plutarch, Greek historian, born A.D. 45.

"Poverty in the world is a scandal. In a world where there is so much wealth, so many resources to feed everyone, it is unfathomable that there are so many hungry children, that there are so many children without education, so many poor persons." Pope Francis, born A.D. 1936.

"The meritocratic class has mastered the old trick of consolidating wealth and passing privilege along at the expense of other people's children. You'll find the new aristocracy there. We are the 9.9 percent." Matthew Stewart, born A.D. 1963, American philosopher, grandson of a Standard Oil executive, and author of June 2018 Atlantic cover article "The Birth of a New Aristocracy."

Ensure a decent minimum level of economic security and entitlement for all our people nationwide (enhance the federal-state human service safety net). Provide universal and more truly equal economic and educational opportunity (invest more in early childhood and career education, not just K-12). Provide incentives for people to act more rationally and responsibly to improve their own lives (more emphasis on social-emotional learning to lift up ethical behavior and personal responsibility).

These are sound and universal principles on which

to forge the beginning of a revitalized, bipartisan, non-ideological initiative to reduce poverty. There's much to admire in this valiant effort to find right-left consensus, produced by the American Enterprise Institute and the Brookings Institution, in their 2016 report "Opportunity, Responsibility and Security: A Consensus Plan for Reducing Poverty and Restoring the American Dream." At Growth & Justice, we applauded this work when it was released and we are pleased that this collaboration has inspired both the 2017 and 2018 annual "Celebration of John Brandl and His Uncommon Quest for the Common Ground."

In 2018, we mark 54 years since President Lyndon B. Johnson declared the <u>War On Poverty</u>, 50 years since the Rev. Dr. Martin Luther King launched the <u>Poor People's Campaign</u> and 10 years since the release of an action plan by a blue-ribbon <u>Legislative Commission to End Poverty in Minnesota by 2020</u>.

The latter is yet another aspirational goal that will elude us, but the notion that all our anti-poverty efforts have been fruitless or even counter-productive is simply not true. By many measures, extreme poverty has declined significantly since 1964, even though the perennial range of 10 to 15 percent in official poverty (and consistently lower in Minnesota than nationally) remains difficult to reduce. As journalist Dylan Matthews noted in a Washington Post Wonkblog column in 2012, "there was a huge fall in the poverty rate throughout the 1960s, and in particular after LBJ announced the War on Poverty in 1964 and followed up with Medicaid, Medicare, greater federal housing spending, and other programs to fight that war. In 1964, the poverty rate was 19 percent. Ten years later, it was 11.2 percent, and it has not gone above 15.2 percent any year since then. Contrary to what you may have heard, the best evidence indicates that the War on Poverty made a real and lasting difference."

Arguments for undoing the basic federal-state safety net that helped produce this progress has recently shifted, from asserting that it made things worse to an equally dubious claim that the war on poverty has been won. In a much criticized overstatement just this summer, President Trump's Council of Economic Advisers asserted that: "Based on historical standards of material wellbeing and the terms of engagement, our War on Poverty is largely over and a success." The statement was a prelude to a <u>controversial 66-page</u> report making the case for imposing new work requirements for federal non-cash benefits.

We agree that it's time to drop the violent and dehumanizing and clichéd "war" analogy with respect to anti-poverty efforts and in behalf of socio-economic justice for the poorest of the poor. (Our "wars" on drugs and terror and crime need to be reconsidered and reframed well.) Instead, we need to focus now on the much larger population that is often in and out of official poverty and designated nearly poor under the Supplemental Poverty Measure. This poor and "nearly poor" segment actually comprises about a third of our population, according to calculations by the think tank Demos. Other organizations draw this line of economic vulnerability at closer to 40 or 50 percent of our population. Using the more conservative percentage, at least 110 million Americans and almost 2 million Minnesotans (disproportionately women and children, people of color and residents of inner cities and rural areas) are living in conditions ranging from official and extreme poverty to chronic economic fragility, a layoff or health problem or bad break away from deep financial trouble or even homelessness

Encouragingly, <u>polls show most of us still do feel</u> <u>sympathy for the poorest of the poor</u>, and also still support our governments' effective and ongoing efforts to ameliorate their condition. But summoning the sustained political will to focus on just the 10-15 percent of those typically designated as poor has always proven extremely difficult. Meanwhile, abundant evidence shows that despite enormous overall economic growth and productivity since 1964, our wider disparities by race, economic class and region now represent existential threats to our quality of life and our economy. This flow of resources to the very top has understandably focused on the enormous and increasing advantage of the top 1 percent, or tenth of 1 percent. But in an important essay this summer in the *Atlantic*, <u>The Birth of a New Aristocracy</u>, author Matthew Stewart, extends the class of the comfortable elite to the top 9.9 percent.

So here's a bold and sweeping proposition. Let's renew and recast the War on Poverty into a much broader effort, one that captures more buy-in and commitment from the large and growing plurality who are losing their share of overall economic growth. Let's develop a new framework for equity, one that addresses not just classic poverty, but inequality between top echelons and everyone else, with special attention to our unconscionable racial disparities, our regional divisions, and our middle-class insecurity.

Principles and policies from the Progressive Era through the New Deal and the Great Society can be renovated and reapplied more broadly to the vast majority of Minnesotans and Americans who are not officially poor, but who have gotten shorter shrift over the last half-century. We will have plenty of help and good will from every sector of our society, non-profit, public and private. Thousands of non-partisan groups nationally and scores in Minnesota are unifying around "equity" as a central theme and a policy imperative. And agreement is building fast among business leaders and economists that inequality, polarization and climate change have become topmost existential concerns, meaning a threat to our existence as we know it.

<u>The World Economic Forum's Annual Global</u> <u>Risks Report</u> – culled from 700 experts – found that rising income and wealth disparity, and an increasing polarization of sectors of society, were ranked first and third among the underlying trends that will determine the shape of the world in the next decade. (Climate change was considered the second most important underlying trend, with the WEF noting that environmental justice concerns were more prominent in the report than ever before.) In light of these global, national and local trends, Growth & Justice has embarked on an ambitious effort to produce a "One Minnesota Equity Blueprint," which we launched with a "Thriving by Design" convening in Granite Falls in the summer of 2018. The blueprint we present to the new Governor and Legislature in January of 2019 will be a comprehensive framework for building a more inclusive and diverse shareholding structure for Minnesota, a plan to build assets and wealth for the vast majority of households who have not proportionally benefitted from economic growth over the last 50 years. Racial and environmental justice will be a pervasive theme. Neither of those figure into the AEI-Brookings work, but we believe we can make good use of the AEI/Brookings foundation and build our blueprint from there.

Best Bets in AEI/Brookings

AEI/Brookings contains 12 specific policy recommendations, four each under three "domains of life," namely: strengthening families (Responsibility), improving the quality and quantity of work (Security), and enhancing education (Opportunity).

Let's consider the "Responsibility" domain first. Conser-

vatives sometimes overstate the value of religion and traditional Judeo-Christian family structure as antidotes to poverty. Nations with similar family fragmentation and divorce statistics to our own, but stronger public economic security safety nets, have much lower poverty rates and <u>many</u> <u>nations with rigidly religious culture and lower</u> <u>rates of family fragmentation are desperately</u> <u>poor</u>. Nevertheless, we also agree that liberals and progressive often overlook the value of committed involvement by more than one parent in rearing children.

Of the four recommendations under that domain, we particularly favor Number Four: "Increase Access to Effective Parenting Education." The

report more specifically recommends "evidence-based home visiting programs" such as those funded federally through the Maternal. Infant and Early Childhood Home Visiting Program (MIECHV) and Nurse Family Partnership. Home visiting programs, by nurses in early childhood, and all through childhood, have been a key element in Growth & Justice advocacy portfolio for more than a decade. And Minnesota is making progress with new investment in this sphere. The Minnesota Department of Health reports that a new round of grants authorized by the 2017 Legislature and signed into law by Governor Mark Dayton includes more than \$25 million for 16 community grantees in both the Twin Cities and greater Minnesota. Over the last year, Minnesota has successfully supported planning, start-up and expansion of evidence-based family home visiting programs in three tribal nations and

"[A]t least 110 million Americans and almost 2 million Minnesotans (disproportionately women and children, people of color and residents of inner cities and rural areas) are living in conditions ranging from official and extreme poverty to chronic economic fragility, a layoff or health problem or bad break away from deep financial trouble or even homelessness."

51 counties.

Under the Security domain, or "making work pay for the less-educated and improving both the quantity and quality of work," we endorse the idea of increased tax credits and deductions and reducing barriers to work through reforms in federal human service requirements and poverty thresholds. As the AEI/Brookings report points out, harsh requirements on nonresident fathers for child support create perverse incentives, and the best way to ensure more financial support is to increase employment and earnings for those fathers, set more reasonable child-support orders in the first place, and to reduce those requirements when unemployment, incarceration or other circumstances intervene. We also need to: (1) lift minimum wages and reward work with even <u>higher livable wage minimums</u> in high-cost urban areas; (2)provide universal high-quality publicly financed health care and move toward a <u>"Medicare for All"</u> model; (3) raise work levels for many hard-to-employ people of color, especially men who have suffered from systemic racial discrimination, mass incarceration, and collateral sanctions and (4) consider imaginative blending of creative and futuristic new thinking around <u>Universal Basic Income</u> and Guaranteed Employment.

Under the third "Opportunity" domain, one specific stands out: increasing public investment in two underfunded stages of education, preschool and postsecondary. Minnesota is moving forward on both. Our state has dramatically

increased investments and policy emphasis on <u>early childhood programs</u>, and full funding of needs for low-income families must remain a top priority. Since 2013's landmark <u>World's Best</u> <u>Workforce</u> education funding bill, the state has more strongly emphasized post-secondary completion and erasing the racial disparities in attainment. We recommend further investment in early childhood and also in a host of job-training initiatives, especially <u>Career Pathway</u> models, which show great promise in moving under-employed and impoverished young adults into promising careers.

Minnesota's Legislative Commission to End Poverty

While the 2016 collaboration and consensus from two of our nation's elite think tanks inspired our own Minnesota Brandl convenings, we must not forget that Minnesota mounted a similarly ambitious and ecumenical effort almost a decade ago, in the form of a 2009 Legislative Report of the bipartisan <u>Commission to End Poverty in</u> <u>Minnesota by 2020</u>. Most of the recommendations were not implemented fully, and some not at all, and the goal obviously will not be reached by the aspirational deadline.

The six broad strategies and recommendations in the report, some of which are echoed in AEI/ Brookings, include these: (1) restore work as a way out of poverty by increasing the minimum wage, expanding tax credits for working families, and providing childcare assistance for more working families; (2) refocus public assistance to streamline services, through integration and

"So, here's a bold and sweeping proposition. Let's renew and recast the War on Poverty into a much broader effort, one that captures more buyin and commitment from the large and growing plurality who are losing their share of overall economic growth."

> automation; (3) help Minnesotans build wealth through policies that encourage maintenance of assets, building financial literacy education, and banning predatory financial practices; (4) revitalize poorer communities (most of which are in inner-city and rural regions) through infrastructure investment, expanding affordable housing choices, providing better access to transportation, and giving more support to community-based initiatives for at-risk youth; (5) modernize our system of education to build the best workforce in the nation, starting with enhanced early childhood education, extension of technical education programs, and implementation of the Governor's Workforce Development Council initiatives (6) develop an ongoing structure to monitor Minnesota's efforts to end poverty, including development of poverty impact statements to assess the likely effects of legislation on low-income Minnesotans.

Policy Link, Voices for Racial Justice, Minnesota Poor People's Campaign

In our opinion, the AEI/Brookings report does not sufficiently address the issues surrounding racism

and racial disparities. It is absolutely imperative for Minnesota's policy-makers, we submit, to listen first and closely to the thousands of voices speaking up here and now at the grassroots level, representing the experience and preferences of actual poor people and people of color in our state. We urgently need more authentic input and ownership of policy development from our communities of color and immigrants, the advice of moral and religious leaders, and counsel from the women and men who work at charities and non-profits every day shoulder-to-shoulder with our least privileged people.

These are among a few of many entities that stand out as resources for input and inspiration.

In 2014, the national group <u>Policy Link</u> conducted extensive research and listened intently to people of color. The product was <u>Minnesota's</u> <u>Tomorrow: Equity is the Superior Growth Model</u>, a scholarly analysis and set of general recommendations for achieving racial equity and broader prosperity, and framing that equity as essential to long-term growth. Key focus was brought to bear on creating more livable wage jobs, expanding entrepreneurship, transforming our education system to a "cradle-to-career" model, and dismantling institutional racism and removing subtle racial barriers to economic equality.

Voices for Racial Justice is emerging as an increasingly powerful and knowledgeable force in recent years, as Minnesota diversity accelerates. Grassroots community organizing is a core strategy, centered on racial justice and leadership training that brings multiracial and multicultural communities together to lead for change. Along with a network of partners, VRJ advocates for change at all levels, in multiple settings, demonstrating how authentic community engagement makes for better policy. VRJ's organizing and policy tools help leaders see exactly how to build racial equity. These tools include an annually updated comprehensive policy agenda. The most recent is "Our Mnisota: A Shared Vision for Freedom Justice and Equity for Our State."

The national <u>Poor People's Campaign</u> mounted a nationwide revival this year of the Rev. Dr. Martin Luther's King's movement in 1968, designed to broaden the civil rights crusade into a wider, all-encompassing economic and social justice movement. <u>Minnesotans, led by clergy and an</u> impressive variety of social justice groups, joined vigorously with a six-week series of demonstrations and civil disobedience. The coalition protested inequality, racism, xenophobic immigration policy, environmental degradation and excessive spending on war and weapons. The national campaign produced a 116-page magnum opus, <u>The</u> <u>Souls of Poor Folk</u>, providing both analysis and prescriptions for a more shared prosperity.

Why "Equity" is the Best Word Forward

In recent years, philanthropic foundations and business leaders, especially in Minnesota, have been using the word "equity" to describe an imperative response to our state's increasing inequality, and especially its simultaneous rise in both diversity and racial disparity.

In a 2015 Star Tribune commentary, Growth & Justice made the case for equity as exactly the right word for our times, in part because of its place in the language of business and home ownership. We noted that the top-listed links on Internet searches for "equity" still are for websites owned by banks and financial institutions. Particularly popular are links to "private equity" investments, increasingly sought after by those at the top seeking ever higher returns, which is ironically generating the demand for a little more equity for those not so advantaged. And to many struggling middle-class homeowners, equity is a very happy word because it is used to describe that portion of their home's value that is not owed on the mortgage.

It is this connotation — that equity is really about every person or household having a reasonable share of property and assets, an ownership stake in society and the economy — that makes it the ideal for describing all our various efforts to reduce inequality and invest in human capital. The equity ideal, if not stated so specifically, runs through the AEI/Brookings report, and is succinctly summarized in this paragraph in the final chapter, headlined "The Way Forward."

"All Americans should have the *opportunity* to apply their talents and their efforts to better themselves and their children, regardless of the circumstances of their birth. All Americans should have a *responsibility* to provide for themselves and their families to the best of their abilities before asking others for help. All Americans are entitled to a basic level of *security* against the vicissitudes of life, and in a nation as rich as ours, to a baseline level of material well-being."

Or in even fewer words, we all do better when we ALL do better. \bullet

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Endnotes

POVERTY, CULTURE & MARRIAGE

1 Thankfully, refusing to acknowledge serious questions of culture generally and family fragmentation specifically has not been the case among a diverse number of scholars and academically informed writers whom I've long drawn from and sometimes interviewed for books of mine. Several also have written for American Experiment publications. An abridged list of 15 might include Elijah Anderson, David Blankenhorn, Andrew Cherlin, Stephanie Coontz, Kathryn Edin, Bill Galston, Kay Hymowitz, Glenn Loury, Sara McLanahan, Ron Mincy, Charles Murray, David Popenoe, Isabel Sawhill, Judith Wallerstein, and William Julius Wilson. I'm indebted to them all.

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POVERTY IN AMERICA Redefining Problems and Solutions Through an Inclusive Lens

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"In this book I'm now writing, I say in the first chapter something which, perhaps, you won't find remarkable, but which I was struck by when I thought of it this way. I grew up as a policy analyst. I found myself saying in this book that it's an exercise in policy synthesis, not policy analysis. Policy analysis tends take a single discipline, breaking things in little pieces. I've been forced by my responsibilities in government to be eclectic and respectful of varieties of ways of perceiving the world out there."

> "I have a sense of having a charmed life. And I have had a charmed life."

> > FROM A 1994 INTERVIEW WITH JOHN BRANDL