

Policy 360 Episode 107 – Lisa Gennetian - Transcript

Judith Kelley: So this is a hard time for everybody. COVID-19 is a pandemic that's affecting public health, but it's also an economic crisis that is intruding into the lives of people in the most horrific ways. And as we know, the government is trying to figure out how to get assistance to people. In the end of March, over 3.3 million Americans claimed unemployment, and that was nearly five times the highest weekly number from the entire 2008 recession, and the number keeps climbing.

Judith Kelley: So these numbers are really staggering and we probably all know somebody who is facing unemployment and it's very appropriate that the government is trying to figure out how to get us money, but it turns out that simply having resources or money to disperse and to people who need it, that ought to be a match that could be executed, but it turns out it's not actually as easy as it sounds.

Judith Kelley: I'm Judith Kelley, I'm the Dean of the Sanford School of Public Policy. Welcome to Policy 360. With me here today is Lisa Gennetian, who is the Pritzker professor in the Sanford School of Public Policy and an affiliate of the Duke Center for Child and Family Policy. And she has been studying cash disbursements in different social policy contexts for a while and she recently wrote an article explaining why it may not be so easy to match money with people. So welcome to Policy 360 Lisa.

Lisa Gennetian: Thank you very much, Judith.

Judith Kelley: Lisa, first, you call programs where people receive money cash transfers. So what is a cash transfer as traditionally think about cash transfers?

Lisa Gennetian: Right. Great question. I guess the first thing to point out when we think of a cash transfers is it means different things according to different kind of social political systems.

Judith Kelley: I see.

Lisa Gennetian: So cash transfers in a Western European context where there is a pretty established social insurance system is quite literally money going right from the government into the hands of people, and there's usually some structure and mechanism where that happens. The tax structure is the most common mechanism. But because social insurance is so comprehensive, there are other kind of equivalent mechanisms that happen in countries that are organized that way.

Judith Kelley: Right.

Lisa Gennetian: Yeah, the other way cash transfers have been used are in situations of crises, just like the one that we're experiencing now, and those have conventionally been to handle anything from natural disasters to folks, families, children being resettled because of war or conflict. And in those cases, it's usually a

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government agency or a nonprofit organization that has helicoptered in and kind of boots on the ground approach and been able to distribute cash in a fairly targeted way because we usually know who the people are that are being affected by this crisis.

Judith Kelley: Right.

Lisa Gennetian: Yeah. And the US, it's incredibly interesting and incredibly complicated, in part because we have a very complex fragmented system of distributing not only things like cash, but also just benefits more broadly, unemployment benefits-

Judith Kelley: Right, so people who get like SNAP benefits, food benefits, a lot of kinds of-

Lisa Gennetian: Found stamps-

Judith Kelley: Right.

Lisa Gennetian: Housing. Even our early education system is distributed from a different system. Money that goes to schools is distributed from a different system. SNAP is from the US Department of Agriculture, right? Completely separate, and like the earned income tax credit, which is a benefit that families get as a refund when they have certain earnings levels and they file for it.

Lisa Gennetian: So that fragmentation has a history with it in the way that it's evolved over time in our country-

Judith Kelley: Right.

Lisa Gennetian: And it has served our country modestly well. You know, we could have a different conversation about how much we've tackled poverty and addressed inequality. What it was never intended to do is act as a kind of universal system for disbursement-

Judith Kelley: Right.

Lisa Gennetian: And especially in the context of an emergency, like the one that we're experiencing right now.

Judith Kelley: So Lisa, the one we're experiencing right now, I think we're supposed to be filing our taxes and getting it through the IRS, right?

Lisa Gennetian: Right.

Judith Kelley: So why isn't that just a beautiful solution?

Lisa Gennetian: It's actually not... It's a pretty good solution.

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Judith Kelley: Okay.

Lisa Gennetian: It is a pretty good solution. I guess, let's say a thousand flowers need to bloom, if we're thinking about a beauty metaphor going back to this point of fragmentation. So certainly disbursing cash as refunds through the tax system will reach a lot of Americans and that's a super promising solution.

Judith Kelley: Right.

Lisa Gennetian: So then the question is who is it not going to reach? And that's when you start to worry because-

Judith Kelley: So who won't it reach?

Lisa Gennetian: It won't reach folks who have never filed taxes, right?

Judith Kelley: Right.

Lisa Gennetian: I guess that's the first order one. And second, that doesn't mean that it necessarily won't reach the... So you could argue, therefore, they're not making any earnings. There are people who earn income in our country and aren't necessarily filing. So it's not a question about if you think the most deserving should be working. So you're missing those folks, and anyone else who's disconnected, right, from our tax system. So people who are highly mobile, who are seasonal workers, who might be connected to the public assistance system, but not the tax system, so who might be receiving SNAP and other kinds of general assistance from states, but not connected to the tax system.

Lisa Gennetian: So these are, for the most part, going to be economically vulnerable families. They're going to be income poor. Even the earned income tax credit, which is one of the most celebrated, right, antipoverty policies in our country-

Judith Kelley: Right.

Lisa Gennetian: Still misses one out of five people who are eligible. So some of this is not so much about who's eligible, but who's actually connected to the system.

Judith Kelley: I see. Yeah. So couldn't one just like use the postal system or direct deposit or something like this?

Lisa Gennetian: Right. Both also good ideas. The postal system, arguably everyone has an address. You know, I think the reality is that lots of people have PO boxes and lots of people don't pick up mail anymore.

Judith Kelley: Right.

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- Lisa Gennetian: And people are mobile, especially right now, people are moving to either be living together or have moved somewhere else where they feel safe. So again, we don't know if that is the way that we can get money into the hands of people.
- Lisa Gennetian: And let me just stress another point with the postal system, which is a big one, is that presumably it would be through checks and checks and not the same as cash, right?
- Judith Kelley: Right.
- Lisa Gennetian: So checks need to be cashed and those often come with fees. And it's interesting to me that that has not been part of the conversation, just sort of waiving any potential fee with kind of depositing the cash, right? We have a certain proportion of our population who's unbanked. They're not connected to financial services.
- Judith Kelley: Right.
- Lisa Gennetian: So again, promising. Maybe we'll catch additional population through the US postal system. And then the direct deposit goes back to this question about, well, who's banked and who's not banked? And so how do we solve that?
- Judith Kelley: Right.
- Lisa Gennetian: One thing that has been raised that I think is sort of interesting is this idea of mobile money.
- Judith Kelley: So what's mobile money?
- Lisa Gennetian: What is mobile money? Yeah, so that is a really good question. I didn't understand it very much myself, but recently I did some research on this. So this is the idea of transferring money onto people's phones in its simplest ways. It's been used very successfully in, again, not the US context, but in these efforts to put cash into the hands of the poor in Africa for sure.
- Judith Kelley: Right.
- Lisa Gennetian: An organization called Give Directly has quite mastered this approach of distributing cash to the poor. And to make sure that it reaches their targeted population, they are also in the business of handing out the phones or SIM cards so that folks can go ahead... I think it's an app. They get the money and then they're able to convert that money into cash across a variety of different types of vendors in their communities. So it's not limited to banks. There could be grocery stores, there could be community organizations that can convert this money into cash.

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Judith Kelley: It sounds like there are many different ways of getting cash out. I mean, for all practical purposes, we could take an airplane and just drop it, but it's getting it to the right people-

Lisa Gennetian: Right. Right.

Judith Kelley: At the right time and how to deal with issues of corruption and things like that.

Lisa Gennetian: Verification. Yeah.

Judith Kelley: Yeah.

Lisa Gennetian: Yeah. So I think the way that that's being managed now, I mean, again, the tax system is a sure fire way to make sure it's verified because people are in the system. Working through SNAP, the food stamp benefit program, is another strategy that I feel like has more and more momentum as you're moving through this economic component of the crisis, on two fronts, getting more people connected to SNAP, so changing the eligibility criteria-

Judith Kelley: Right.

Lisa Gennetian: Getting rid of the work requirements that were being debated, and now using it as a distributional system for this additional cash. That is very promising because of a few things. SNAP benefits are transferred through EBT cards, right? So their benefit card is a perfect way to get cash into the hands of people.

Judith Kelley: Right.

Lisa Gennetian: It's already in existence presumably. And two, there is a verification process that's already in our system.

Judith Kelley: Right.

Lisa Gennetian: And so that can be deployed again to confirm eligibility if that's the aspiration.

Judith Kelley: So the current stimulus package is envisioning a one time cash payment to everybody.

Lisa Gennetian: Yeah.

Judith Kelley: But when we go back and we think about the opening comments we had about unemployment, that's a longterm situation, and we look at the recession that we're predicted to have being potentially quite likely deeper than the '08 recession that we had, are cash transfer programs something that we should be looking at as a more longterm policy? And you've done some work on the effectiveness and some of these things. Can you talk a little bit about that?

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Lisa Gennetian: Sure. I'd be happy to. I guess to go to your premise, it would not be surprising to me having another infusion of cash like the \$1200 checks-

Judith Kelley: Right.

Lisa Gennetian: Kind of gets revisited and that it becomes something more like a quarterly thing maybe for a couple of quarters.

Judith Kelley: Right.

Lisa Gennetian: Recognizing the unemployment insurance system is hitting kind of its own administrative bandwidth. And again, we're not connecting to all the people that need money. So it wouldn't be surprising to me if there's another cash infusion transfer of some type to low income folks.

Judith Kelley: Right.

Lisa Gennetian: I am indeed involved with a study. It's a research study. It was actually designed, it is designed, to understand the impact of poverty reduction on children's brain development. But the way that we've decided to implement that study is a cash transfer.

Judith Kelley: Okay.

Lisa Gennetian: And the way we did that, and we learned 10 years ago that it's hard to pass out cash to families-

Judith Kelley: Right.

Lisa Gennetian: [inaudible 00:13:03] thinking about how to actually design this thing and we landed on debit cards. And we hand out debit cards to moms at the time of birth of their child in the hospital. And so we're passing out \$333 a month to the moms who are enrolled in this study. There's a high cash gift group and then a low cash gift group. The low cash gift group gets \$20 a month. Remember, this is a basic research study-

Judith Kelley: Right.

Lisa Gennetian: But it is a cash transfer, so it has multiple pieces of relevance I guess to our conversation today.

Judith Kelley: For sure.

Lisa Gennetian: We're following them over time. We've learned quite a few things actually. One kind of small fact is one out of five of these mothers, when we did our pilot in New York City, had never used a debit card. I was a little surprised by that and I think it's indicative-

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Judith Kelley: One out of five, did you say?

Lisa Gennetian: One out of five.

Judith Kelley: One out of five.

Lisa Gennetian: Had never used a debit card. Sort of indicative, right, of kind of what we think is mainstream may not be mainstream to many families. We know that our moms in the study are, A, extremely grateful, especially right now, receiving the cash gift, and we know what they do with it is they immediately go to an ATM machine and withdraw it into cash.

Judith Kelley: Right.

Lisa Gennetian: Right? So something about paper, the cash, is essential as sort of a liquid, fungible, nimble resource for these families. And we're continuing to see that even after, we're up to 24 months now of distributing this money, and we continue to see that very consistent pattern, that the money is transferred to them on a monthly basis, and right away we see big kind of withdrawals of paper cash from ATM machines.

Judith Kelley: Do you think, Lisa, do you think that there's any kind of either fear or a lack of trust or weariness of surveyance that if I convert this into cash immediately, then I can, first of all, I've got it in hand-

Lisa Gennetian: Yeah.

Judith Kelley: So I won't lose the card or it won't be that the card doesn't have a balance on it when I think it does-

Lisa Gennetian: Right.

Judith Kelley: But also the people from the study won't be able to see what I spend it on, you know?

Lisa Gennetian: Oh, interesting. Yeah. I mean of course we sign off all kinds of confidentiality-

Judith Kelley: Right.

Lisa Gennetian: But we thought the fear anxiety component would be something that happened early, right? So you might not believe... Like how can this be true? I'm really getting \$333 a month for 40 months?

Judith Kelley: Right.

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Lisa Gennetian: But we're now 24 months in. And so the goal of this study was also predictable income, and so I don't know how much fear and anxiety continue to play out. I imagine that played out at the beginning.

Judith Kelley: Right. so we'll learn more.

Lisa Gennetian: We are in the field now speaking to families in kind of conventional survey types of methods, but also just narrative methods and trying to understand how much this monthly predictable cash transfer is affecting their family life and supporting children's development. And so we're hoping to have findings in the next six to nine months, maybe, on kind of this first year of children's life and what happens when we reduce poverty.

Lisa Gennetian: I want to bring this back to the mechanisms for our country just for a second.

Judith Kelley: Sure. Yeah.

Lisa Gennetian: It has made me think about this idea of having kind of a safety net mechanism, right, more universally for our country.

Judith Kelley: Right.

Lisa Gennetian: There have been lots of conversations about basic income that are really focused on the idea of amount of income that might be reasonable to protect families and to jumpstart maybe investments in their own human capital, but no one's really thought about how that's going to get to families.

Judith Kelley: Right.

Lisa Gennetian: And I think our study might have tapped into something interesting, right? So can you imagine over 98% of births in the US are in hospitals? It is a touchpoint that's almost universal. Is there a way to think about time of birth as a time in which a child at least is connected as something like a card that can be turned on or off during times of crisis.

Judith Kelley: Right. So you talk about basic income, which is essentially a type of cash transfer program that goes on for a longer period of time as guaranteed. And there's been some studies, your study is very unique in that it's using this type of intervention and seeing how it affects children and their development-

Lisa Gennetian: Right.

Judith Kelley: But what in general do we know about basic income programs? I know there's been some pilot studies in some countries trying to see whether this actually changed people's longterm employment trajectories, housing situations, et cetera. Do you know about those?

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Lisa Gennetian: I don't think there has been a good universal basic income study, in part because they're very hard to launch, right? There's no, technically speaking, comparison group, right, where you could say universal basic income had this effect compared to not having it. Yeah, yeah, just because it's universal, right? Yeah.

Judith Kelley: So that's true, but there's been groups of individuals who have been selected to receive cash over a period of time and studied the effects on their employment.

Lisa Gennetian: Yes, for sure. This has been happening in Sweden.

Judith Kelley: Exactly.

Lisa Gennetian: It's been happening in United Kingdom. You're right that there are smaller scale pilots happening in the US. Small samples, lots of money, I think very hard to have... You know, they're not designed to produce evidence on impact.

Judith Kelley: Right.

Lisa Gennetian: So those studies, again, are showing reductions in material hardship. They're showing no effect on what we like to call increased risky behaviors or indulging in temptation goods. And so you worry, you know, the counter argument with this type of approach is always, well, folks are going to spend it on things that are bad for them, right?

Judith Kelley: Right.

Lisa Gennetian: On alcohol and smoking, but there's no evidence to suggest that. Impacts on, I'm going to use the technical term labor supply, so are people reducing their employment or their earnings-

Judith Kelley: Right.

Lisa Gennetian: Are also not pointing in the direction of reductions. If anything, they're pointing the reductions to increasing employment and earnings and kind of asset producing goods. So investing in things that will then subsequently increase household income. And so those are all, I think, reassuring.

Judith Kelley: So it's less the case, Lisa-

Lisa Gennetian: Yeah.

Judith Kelley: That you might think you give people money and then they're going to be less likely to work, but it's actually the case that, at some levels, you give people money, you empower them to get into a position where they're able to actually hold down employment.

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Lisa Gennetian: Right. I mean, that's where the evidence is pointing to, right?

Judith Kelley: Yeah. Yeah.

Lisa Gennetian: Well, there was a big study in Finland recently where cash was offered to folks-

Judith Kelley: That's the one I read about. Yeah.

Lisa Gennetian: Yeah, that has not had... I think people were characterizing as disappointing findings-

Judith Kelley: Yeah.

Lisa Gennetian: But just remember that the population being pulled was from the unemployment insurance system. So again, not quite as generalizable as some of the things that we've been talking about. [crosstalk 00:21:04]

Judith Kelley: Yeah. I mean, the results for that were sort of more like it was nice while it lasted kind of thing.

Lisa Gennetian: Right. Exactly. That's exactly right, yeah.

Judith Kelley: Yeah, yeah. But of course as a society we do, in the type of crisis we are in, have some basic responsibilities possibly, right, just to make sure that it is at least a minimal level of niceness while it is lasting. So that in and of itself is not disqualifying from adopting a system of cash transfers.

Lisa Gennetian: No, certainly not. And I think if we're going to be long-sighted about what's happening now, we also have to remember that without some economic cushion that families will be struggling now, and what will happen soon is that's going to kind of fuel more negative impacts in the future.

Judith Kelley: Right.

Lisa Gennetian: Meaning poorer health, right? Looser attachment to the labor force. Children's learning is going to go down. And so there's something about being long-sighted about investing now that I think is important to put back into the policy conversation.

Judith Kelley: Yeah. So now we've adopted the system with the distribution through the IRS, at least for the time being-

Lisa Gennetian: Yes.

Judith Kelley: And as we think about the coming months, there might be more discussions about how to get different money out to different people and we won't be in a tax filing cycle per se-

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- Lisa Gennetian: Right.
- Judith Kelley: And we may want to get money out of tax cycle.
- Lisa Gennetian: Right.
- Judith Kelley: And so, is it more important to get a strategy where we can get this stuff out as quickly as possible, even if it's not comprehensible, it's not reaching everybody, or should we take more time and make sure we are implementing it efficiently? How do we strike the right balance in the middle of a crisis?
- Lisa Gennetian: Yeah. So I think get money out as fast as we can to as many people as we can and then verify later. I think that really has to be the strategy right now-
- Judith Kelley: Right.
- Lisa Gennetian: Both to protect people who are struggling greatly and to reduce the likelihood of that turning itself into increasing costs to society, and also to increase consumer demand, right?
- Judith Kelley: Of course. Yeah.
- Lisa Gennetian: That's the other thing we want to see happening as the economy begins to open up. And one thing which I just thought about, as the public health crisis, as we get our arms around it from a policy perspective, it might give some more room to think about the economic response, right? So as social distancing and sheltering in place perhaps becomes a little looser, it will be more possible to have boots on the ground and to find families through the methods that we know work-
- Judith Kelley: Right.
- Lisa Gennetian: Through schools, through passing out mobile phones, whatever it is that will require more people on the ground.
- Judith Kelley: It might be a good incentive for people to actually make sure they answer the census. Because part of the problem is we don't have-
- Lisa Gennetian: That is a good point.
- Judith Kelley: You know, we don't have a good system. I'm from, as our listeners have heard numerous times, I'm originally from Denmark, and it's a small country and it's kind of hard for me still to understand that there isn't any kind of centralized way in the United States where the government knows where everybody is and how to get stuff to them because it's just so much simpler in a smaller system, like a small country.

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Lisa Gennetian: Right.

Judith Kelley: So if you had to design a cash payment system or were asked to advise the government on how they should go about this the next round, not the tax payment IRS round, but there will be some subsequent rounds, what would be the key advice you would give?

Lisa Gennetian: Oh, interesting, challenging question. I think I'm going to go and advocate for the role of states and counties. Right? So this is the other thing about the tax system, which makes it very efficient, it is federal, and understanding your populations really comes more locally. And so we have a system of state and local government that knows their populations and knows their systems. I guess I would encourage kind of some allocation federally that goes to the states and they optimize, right? So they figure out whether it's a community-based strategy, they figure out whether it's the school districts that might be the best system for distribution or for anything else. I think that is the best way to work with the kind of devolved, fragmented system we have right now in the US.

Judith Kelley: So Lisa, before you and I talked, we asked for some questions on social media-

Lisa Gennetian: Yes.

Judith Kelley: And one came from a listener called Sarah, and Sarah asked us, "Do you have thoughts on a policy to reopen enrollment and/or allow changes to flexible spending accounts for health or dependent care?" Clearly there are many people right now, right, that are in more dependent care. In 2020, health and dependent care costs may be fluctuating up or down far beyond what people could have reasonably expected in November.

Lisa Gennetian: Right. Great question, and really creative way of understanding how people's incomes are being hit, right? And so many of our in kind programs including food stamps, the idea is let's observe some of the money you spend on food to give you more money to spend on other things, right?

Judith Kelley: Right.

Lisa Gennetian: Medical expenditures are right up there. They're a high proportion of people's incomes, and we have a good system for the poor and Medicaid. So I think this is a great creative idea, whether we can reopen enrollment and allow people to change what's in their flexible spending accounts with updated information. I'm not an expert on the system, the healthcare system, but I think that it's very consistent with this idea of increasing kind of net household income is to think about the medical insurance side. Yeah, it's a really creative suggestion.

Judith Kelley: Lisa, traditionally, we've thought about the distribution of benefits from the government in this way as bandaids on people's problems that in some ways often were thought of as stigmatizing in one way or the other.

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- Lisa Gennetian: Right.
- Judith Kelley: I just wonder whether you have any thoughts on how people should think about the payments they may be receiving in the coming year.
- Lisa Gennetian: Okay, so two things. There is nothing, absolutely nothing... This should absolutely be normalized. And this is the unique thing about the type of crisis that we're experiencing right now, everyone's being hit in some way. And certainly there are some families and individuals being hit more than others, whether it's on the health side or the economic side. If anything, it is a sparkle of humanity that we can try to embrace because we are collectively experiencing this. And so I hope the conventional forms of stigma and fear and anxiety do not kind of spill over.
- Lisa Gennetian: And again, multiple distribution systems, understanding this is cash for all, understanding that every kind of worker is losing a job, is sort of, I think, part of the public narrative and I hope that gets absorbed as mainstream for everybody.
- Lisa Gennetian: The thing that I thought you were going to ask was, you know, one reason why this economic crisis is hitting families differently is certainly related to the current jobs and the current flow of income from earnings.
- Judith Kelley: Right.
- Lisa Gennetian: The other is savings, right? And what kind of cushion we have available to us. And we can certainly think, I think, more strategically about a future in which everyone has kind of a rainy day fund, everyone has already a set of resources set aside that can be certainly used for emergencies as well as kind of making future investments.
- Lisa Gennetian: So we're sort of lacking on both sides in the US of a systemized way, right-
- Judith Kelley: Right.
- Lisa Gennetian: Of getting cash immediately out, but also, it is certainly not true that we all universally have access rainy day funds. So there's areas for improvement certainly in both tracks.
- Judith Kelley: Yeah. I wish that along with these cash payments we could also send a dose of compassionate and hope to everybody.
- Lisa Gennetian: Yes. Yes.
- Judith Kelley: As we're thinking about the future and how to think about these types of interventions. This is part of an umbrella of different things that are being implemented. It's part of a tool box. But the whole point is to raise us up as a

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society again, for everybody to remain active participants in our society and members that are empowered to be part of our community. And so-

Lisa Gennetian: And I would add and to do it equitably.

Judith Kelley: And why do you say that? Why do you add that?

Lisa Gennetian: You know, I think what we're seeing now, certainly, well, both, economic side and the public health side, that certain communities not only that are income poor, but also racial ethnic minorities are being particularly hit hard by the current crises, both because of the types of jobs they tend to have and how those are being affected, but also on the economic side, the lower likelihood of having kind of savings and economic cushion, lower likelihood of having social connections that can help absorb the economic and the public health hit from this crisis. And so I would add equity to all of our idealized notions of protecting economic health in the future.

Judith Kelley: That's a good point to end on. Lisa, thanks so much for joining me.

Lisa Gennetian: Thank you.

Judith Kelley: To all our listeners out there, I just want to encourage everybody to keep hope for the future and to know that we're in this together.

Judith Kelley: Lisa Gennetian is a professor at the Sanford School of Public Policy and she's also an affiliate in the Duke Center for Child and Family Policy. We're going to have a link to the article that she wrote that I mentioned up front at our website policy360.org. And we'll be back soon with another conversation. I'm Judith Kelley.