

# Why Expanding Welfare Will Not Help the Poor

By Robert E. Rector

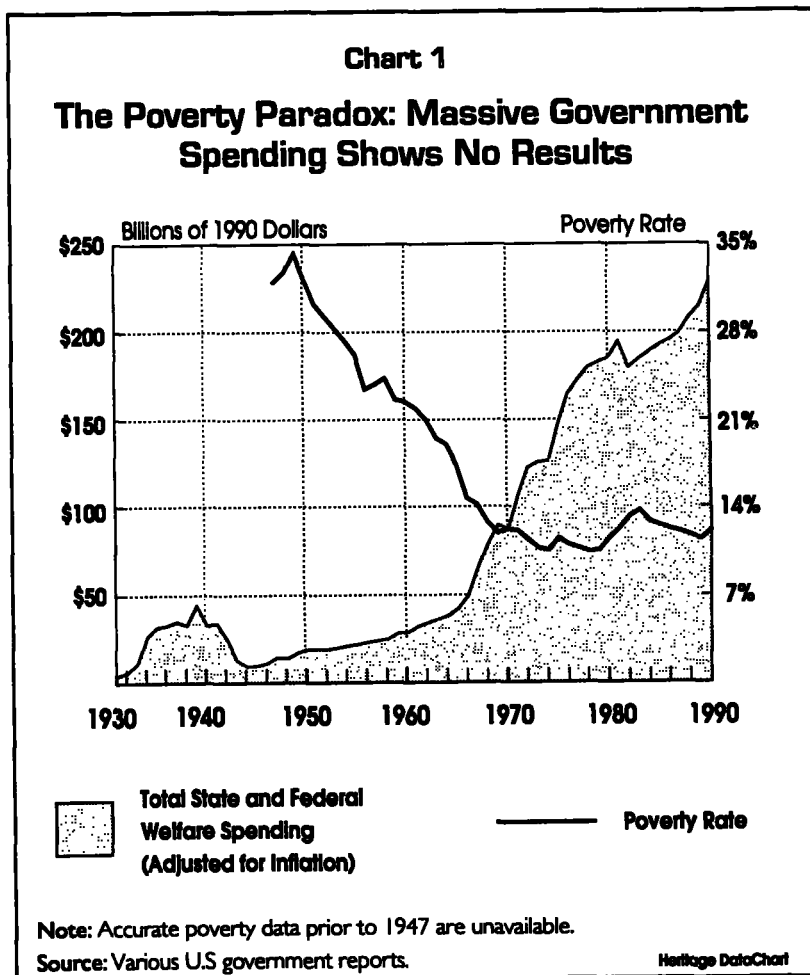
## Introduction

I wish to thank the subcommittee for inviting me to testify on H.R. 529, the "Mickey Leland Childhood Hunger Relief Act." H.R. 529, which proposes to raise spending on Food Stamps by an extra \$5 billion over the next five years, is the latest step in an endless series of expansions of the welfare state. But the U.S. welfare system has failed. Both the public and decision makers increasingly recognize that the current welfare system has harmed rather than helped the poor. Welfare has undermined the American family and promoted long-term dependency.

President Clinton has declared his intention to "end welfare as we currently know it." But far from ending welfare as we know it, this bill dramatically expands it. It is deeply distressing to those interested in serious welfare reform that despite his reform rhetoric, the President's proposed budget has little funding for implementing welfare reform while containing billions for expansions of old-fashioned welfare programs.

H.R. 529 will not help poor American children. Poor children do not need more conventional welfare spending. As Chart 1 demonstrates, we are now spending five times as much on means-tested welfare as when the War on Poverty began, after adjusting for inflation. If welfare spending were an answer to the problems of the poor in the inner city and elsewhere, we would have solved these problems long ago.

American children don't need more welfare spending. They need stable families and fathers. They need to be able to play in their neighborhoods without getting shot. They need a decent education, which, despite massive spending, the public school monopoly is unable to provide. H.R. 529 will not solve any of these real problems; in fact it will make most of them worse.



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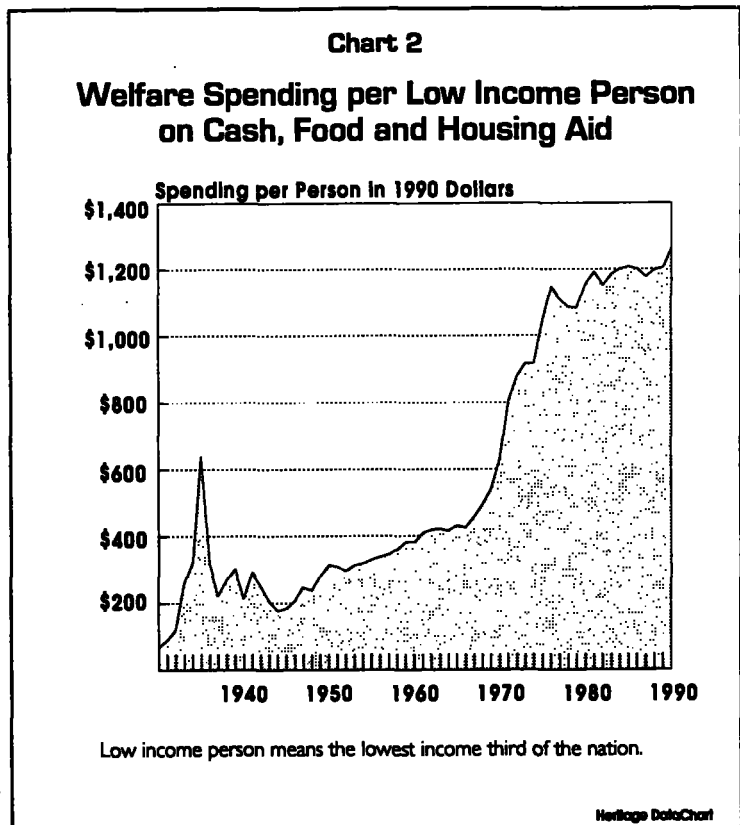
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## Overview

Let me begin with a few basic facts.

- 1) **The level of welfare spending in the United States is enormous and growing rapidly.** In 1990, the latest year for which complete data are available, welfare spending reached a record high of \$226 billion, or 4.1 percent of GNP. This figure excludes programs for the middle class like Social Security. Contrary to political claims, welfare spending increased during the 1980s, after adjusting for inflation. Nor was the recent increase restricted to medical aid. As Chart 2 shows, means-tested cash, food, and housing aid also increased more rapidly than the growth in the population, after adjusting for inflation.



- 2) **Total welfare spending is more than sufficient to raise the incomes of all persons defined as poor by the Census Bureau above the poverty income levels.** Part of the \$226 billion in welfare spending does go to persons in nursing homes and other institutions who are not included in the annual Census Bureau population and poverty count. However, \$184 billion was spent on the general non-institutional population in 1990. This sum was roughly two and a half times the amount needed to eliminate poverty. Welfare cash, food, and housing aid alone were more than enough to eliminate poverty.
- 3) **There is little poverty-induced malnutrition in the U.S.; the material living standards of poor Americans are far higher than is generally understood!** Today the fifth of the population with the lowest income has a level of economic consumption higher than that of the median American family in 1960.<sup>1</sup> There is little or no poverty-induced malnutrition in the U.S. Persons defined by the U.S. government as "poor" have almost the same average level of consumption of protein, vitamins, and other nutrients as persons in the upper middle class.<sup>2</sup> Poor children have particularly high levels of food and nutrient intake as Tables 1 and 2

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1 The per capita economic consumption of the lowest quintile of the population 1991 exceeded the per capita income of the median family in 1960. In 1960 median family income equalled \$5620 while the average family had 3.71 members. Per capita income of the median family in 1960 was thus about \$1515 in current dollars or \$6535 in 1991 dollars. By contrast the per capita consumption of the households in the lowest income quintile in 1991 was \$7480. Data sources for these figures are: U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Expenditures in 1991*, Report 835, December 1992, p. 4.; and U.S. Department of Commerce, Bureau of the Census, *Historical Statistics of the United States: Colonial Times to 1970, Part 1* (Washington, D.C.: U.S. Government Printing Office, 1975), p. 296 and 301.

2 Robert Rector, "Food Fight: How Hungry Are America's Children?" *Policy Review*, Fall 1991, pp. 38-43; Robert Rector, "Hunger and Malnutrition Among American Children," Heritage Foundation *Backgrounder* No. 843, August 2, 1991.

show. In reality, children living in "poverty" today, far from being malnourished, are actually super-nourished by any conceivable historic or biological standard. Poor children today will actually grow up to be one inch taller and ten pounds heavier than the GIs who stormed the beaches of Normandy in World War II.<sup>3</sup> In reality, the principal nutrition-related problem facing poor persons in the U.S. today is not "hunger" but obesity; the poor have a higher rate of obesity than do members of other socioeconomic groups in the U.S. (For further information about poverty and malnutrition please refer to the accompanying article I have submitted to Committee, "Food Fight: How Hungry Are America's Children?")

Similarly, the claim that poor Americans are badly housed is untrue. Nearly all of America's poor live in decent housing that is well-maintained. In fact, "poor" Americans have more housing space and are less likely to be overcrowded than is the average citizen in Western Europe.<sup>4</sup>

4) **The War on Poverty did not succeed.** While there may be little material poverty, this does not mean that the War on Poverty was a success. The recent expansion of the welfare state has not really raised the incomes of less affluent Americans. Instead it has largely replaced work with dependence. And by undermining family structure, welfare has greatly contributed to the increase in single mothers who have difficulties supporting their families.

5) **The real problem in low-income communities is behavioral poverty, not a shortage of welfare benefits.** "Behavioral poverty" refers to a breakdown in the values and conduct that lead to the formation of healthy families and stable personalities, and promote self-sufficiency. Behavioral poverty is a cluster of social pathologies including: dependency and eroded work ethic, lack of educational aspiration and achievement, in-

**Table 1**  
**Average Per Capita Consumption of Nutrients as a Percentage of Recommended Daily Allowances for Children under age 6 in 1985**

|              | Family Income Below 75% of Poverty Threshold | Family Income Below 100% of Poverty Threshold | Family Income Above 300% of Poverty Threshold |
|--------------|--|---|---|
| Protein      | 211%   | 208%  | 213%  |
| Vitamin B-12 | 211  | 208   | 164   |
| Thiamin      | 192  | 141   | 152   |
| Vitamin A    | 186  | 183   | 258   |
| Vitamin C    | 179  | 177   | 164   |
| Riboflavin   | 181  | 179   | 182   |
| Folacin      | 149  | 148   | 158   |
| Niacin       | 138  | 135   | 145   |
| Phosphorous  | 120  | 120   | 127   |
| Vitamin B-6  | 113  | 111   | 133   |
| Vitamin E    | 113  | 109   | 102   |
| Magnesium    | 105  | 105   | 126   |
| Calcium      | 94   | 94  | 99  |
| Zinc         | 76   | 75  | 73  |

Sources: Human Nutrition Information Service, U.S. Department of Agriculture, *Low Income Women 19-50 Years and Their Children 1-5 Years, 4 Days*, pp. 72-73. *Women 19-50 Years and Their Children 1-5 Years, 4 Days, 1985*, pp. 64-65.

**Table 2**  
**Average Per Capita Food Consumption By Gram Weight for Children under age 6 in 1985\***

|                         | Family Income Below 75% of Poverty Threshold | Family Income Below 100% of Poverty Threshold | Family Income Above 300% of Poverty Threshold |
|-------------------------|--|---|---|
| Fish, Meat, Poultry     | 108  | 106   | 97  |
| Milk and Milk Products  | 390  | 386   | 401   |
| Grain Products          | 202  | 196   | 192   |
| Fruits and Fruit Juices | 151  | 154   | 258   |
| Vegetables              | 95   | 95  | 99  |
| Sugar and Sweets        | 21   | 20  | 37  |
| Fats and Oils           | 5  | 5   | 8   |

\* All figures in grams.  
Sources: Human Nutrition Information Service, U.S. Department of Agriculture, *Low Income Women 19-50 Years and Their Children 1-5 Years, 4 Days*, pp. 14-36. *Women 19-50 Years and Their Children 1-5 Years, 4 Days, 1985*, pp. 14-36.

3 Bernard D. Karpinos, *Height and Weight of Military Youths* (Medical Statistics Division, Office of the Surgeon General, Department of the Army, 1960), pp. 336-351. Information on the current height and weight of youths provided by the National Center for Health Statistics of the U.S. Department of Health and Human Services based on the National Health and Nutrition Examination Survey.

4 Robert Rector, "How the Poor Really Live: Lessons for Welfare Reform," Heritage Foundation *Backgrounders* No. 875, January 31, 1992, pp. 12-13.

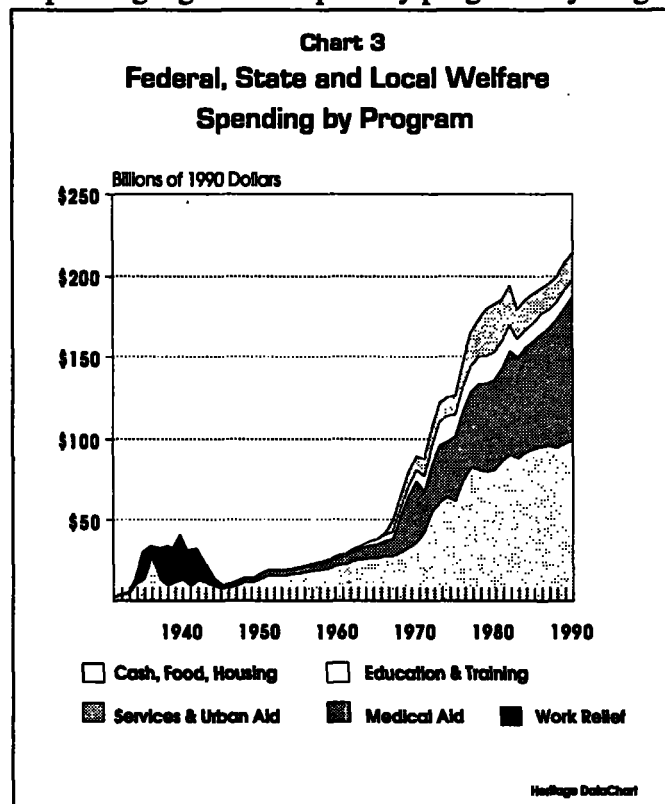
ing: dependency and eroded work ethic, lack of educational aspiration and achievement, inability or unwillingness to control one's children, increased single parenthood and illegitimacy, criminal activity, and drug and alcohol abuse. While there may be little material poverty in the United States, behavioral poverty is abundant and growing. For example, the black illegitimacy rate was around 25 percent when the War on Poverty began; today two out of three black children are born out of wedlock. A similar increase is occurring among low-income whites. Likewise, crime and dependency rates exploded as welfare spending increased.

- 6) **The central dilemma of the welfare state is that nearly all of the cash, food, housing, and medical programs designed to alleviate material poverty have the harmful side effect of increasing behavioral poverty.** Welfare fosters dependency and family disintegration. The erosion of the work ethic and family structure in turn demolishes the real life prospects of low-income Americans, greatly contributing to crime, school failure, and other problems.
- 7) **The Leland Hunger Relief Act will actually harm the poor rather than help them.** By expanding conventional welfare benefits the bill will make most social problems worse. H.R. 529 will cause an increase in: single-parent families, welfare dependence, school failure, and crime.
- 8) **We should reform welfare rather than expand benefits.** What is needed is a dramatic overhaul of the welfare system with the aim of promoting work and marriage and discouraging single parenthood and dependence. A good place to begin welfare reform would be to establish firm work requirements for many non-elderly Food Stamp recipients; this would dramatically reduce dependency and save the taxpayers billions.

## The Growth of the Welfare State

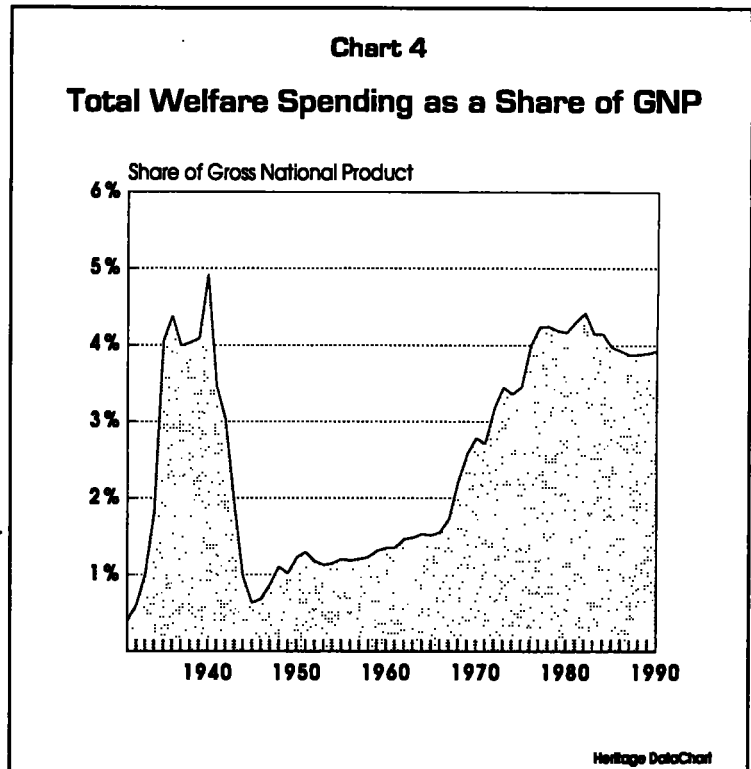
Discussions of welfare are often distorted by talking about one or two government programs as if they existed in isolation. It is easier to call for expanding a given anti-poverty program if you ignore the existence of dozens of related programs aiding the poor. But the effects of welfare can only be understood by examining the welfare system in its entirety. In reality the federal government runs over 75 means-tested welfare programs. These programs provide cash, food, housing, energy aid, medical aid, training, and social services to poor and low-income Americans. Spending growth in these programs is shown in Chart 3.

In 1990 federal, state, and local governments together spent \$226 billion on assistance programs for low-income persons and communities. This figure includes only spending on programs for the poor and low-income persons and excludes general entitlement programs such as Social Security and Medicare for the middle class. Adjusting for infla-



tion, total welfare spending in 1990 was five times the level of welfare spending in the mid-1960s when the War on Poverty began. As Chart 4 indicates, total mean-tested welfare spending now equals about 4 percent of GNP, up from a little over 1 percent in the mid-sixties. As a percent of GNP welfare spending is now at roughly the same rate as existed in the Great Depression when a quarter of the labor force was unemployed.

Over 25 years have passed since President Lyndon Johnson launched his "Unconditional War on Poverty." Johnson declared that this war was to be a great "investment" which would return its cost to society manyfold. Total welfare spending since the onset of the War on Poverty has amounted to \$3.5 trillion in constant 1990 dollars—more than the full cost of World War II after adjusting for inflation. From another perspective, the average American household has already paid around \$50,000 in taxes in fighting the War on Poverty. Before we expand welfare spending even more, as H.R. 529 proposes, I think the taxpayers are justified in asking what return they have gotten on their current "investment."



## Understanding the Two Types of Poverty

Concern over the enormous cost of welfare is legitimate. But for the general public the problem with welfare is not merely its cost but rather the perception that welfare has harmed rather than helped the poor. In order to analyze this perception, it is important to begin with an understanding of two separate concepts of poverty: "material poverty" and "behavioral poverty." Material poverty means, in the simplest sense, having a family income below the official poverty income threshold, which was \$14,463 for a family of four in 1992. To the average man on the street, to say someone is poor implies that he is malnourished, poorly clothed, and lives in filthy, dilapidated, overcrowded housing. In reality there is little material poverty in the U.S. in the sense generally understood by the public.<sup>5</sup>

Behavioral poverty, by contrast, refers to a breakdown in the values and conduct which lead to the formation of healthy families, stable personalities, and self-sufficiency. As noted, behavioral poverty incorporates a cluster of social pathologies including: eroded work ethic and dependency, lack of educational aspiration and achievement, inability or unwillingness to control one's children, increased single parenthood and illegitimacy, criminal activity, and drug and alcohol abuse. While material poverty may be rare in the United States, behavioral poverty is abundant and growing.

<sup>5</sup> *Ibid.*

The present welfare system is designed almost exclusively to raise the material living standards of less affluent Americans. The key dilemma of the welfare state is that the prolific spending intended to alleviate material poverty has led to a dramatic increase in behavioral poverty. The War on Poverty may have raised the material standard of living of some Americans, but at a cost of creating whole communities where traditional two-parent families have vanished, work is rare or non-existent, and multiple generations have grown up dependent on government transfers.

The onset of the War on Poverty directly coincided with the disintegration of the low-income family—and the black family in particular. At the outset of the Second World War, the black illegitimate birth rate was slightly less than 19 percent. Between 1955 and 1965 it rose slowly, from 22 percent in 1955 to 28 percent in 1965. Beginning in the late 1960s, however, the relatively slow growth in black illegitimate births skyrocketed—reaching 49 percent in 1975 and 65 percent in 1989. If current trends continue, the black illegitimate birth rate will reach 75 percent in ten years.<sup>6</sup> Similar increases are occurring among low-income whites.

Dependence has also increased enormously. Currently, one child in eight in the United States receives aid from the Aid to Families with Dependent Children (AFDC) program. Some 22 percent of U.S. children born in the early 1970s received AFDC for at least one year before reaching their 15th birthday. For black children born in the early 1970s, 55 percent received AFDC for some portion of their childhood before reaching age 15.<sup>7</sup>

## High Welfare Benefits Undermine Family Structure

The central feature of H.R. 529 is to increase the monthly value of Food Stamp benefits. But research indicates that higher welfare benefits lead to increases in out-of-wedlock births, single parenthood, and dependence. Increases in single-parent families and dependence in turn lead to increases in school failure and crime.

The National Longitudinal Survey of Youth (NLSY) provides the best current data base for analyzing the effects of welfare on behavior. In 1979, the NLSY established a large sample of young women (aged 14 to 19) and then tracked the behavior of these women over the next decade. Using the NLSY data, Dr. June O'Neill, of Baruch College in New York City, found the dollar value of monthly welfare benefits in a state has a dramatic affect on whether women will have children out of wedlock. Holding constant a wide range of other variables such as income, parental education, and urban and neighborhood setting, O'Neill found that a 50 percent increase in the monthly value of AFDC and Food Stamp benefits led to a 43 percent increase in the number of out-of-wedlock births over the study period.<sup>8</sup> These findings on the effects of welfare benefits in increasing out of wedlock births closely match recent research by Shelley Lundberg and Robert D. Plotnick of the University of Washington.<sup>9</sup>

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6 U.S. Department of Health and Human Services, National Center for Health Statistics. Note: The black illegitimate birth rate is available only from 1969 on. The pre-1969 black illegitimate birth rates were calculated using the very similar "Non-White" rate.

7 Nicholas Zill, Kristin A. Moore, et al., *The Life Circumstances and Development of Children in Welfare Families: A Profile Based on National Survey Data* (Washington, D.C.: Child Trends Inc., 1991).

8 Dr. M. Anne Hill and Dr. June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants*, forthcoming paper, research funded by Grant No. 88ASPE201A, U.S. Department of Health and Human Services.

9 Shelley Lundberg and Robert D. Plotnick, "Adolescent Premarital Childbearing: Do Opportunity Costs Matter?" June 1990, a revised version of a paper presented at the May 1990 Population Association of America Conference

Similarly, high benefits discourage single mothers from remarrying. Research by Dr. Robert Hutchens of Cornell University shows that a 10 percent increase in AFDC benefits in a state will cause a decrease in the marriage rate of all single mothers in the state by 8 percent.<sup>10</sup>

The collapse of family structure in turn has crippling effects on the health, emotional stability, educational achievements, and life prospects of low-income children. Children raised in single-parent families, when compared to those in intact families, are one-third more likely to exhibit behavioral problems such as hyperactivity, antisocial behavior, and anxiety. Children deprived of a two-parent home are two to three times more likely to need psychiatric care than those in two-parent families.<sup>11</sup> And they are more likely to commit suicide as teenagers.

Because the father plays a key role in a child's cognitive development, children in single-parent families score lower on IQ tests and other tests of aptitude and achievement.<sup>12</sup> Children in single-parent families are three times as likely to fail and repeat a year in grade school than are children in two-parent families. In all respects, the differences between children raised by single parents and those raised in intact homes are profound, and such differences persist even when single-parent homes are compared to two-parent homes of exactly the same income level and educational standing.<sup>13</sup>

Family disintegration is a major contributing factor in America's soaring crime problem. A father plays a vital role in disciplining a young man and building his moral character. Boys raised without fathers are much more likely to become involved in criminal activity. For example, holding family income, neighborhood, parental education, and other variables constant, young black men from single-parent homes are twice as likely to commit crimes and end up in jail when compared to similar young men raised in low-income families where the father is present.<sup>14</sup>

But the greatest tragedy is that family instability and its attendant problems are passed on to future generations. Children from single-parent homes are far less likely to establish a stable married life when they in turn become adults. White women raised in single-parent families are 164 percent more likely to bear children out of wedlock themselves; 111 percent more likely to have children as teenagers. If these women do marry, their marriages are 92 percent more likely to end in divorce than are the marriages of women raised in two-parent families. Similar trends are found among black women.<sup>15</sup>

## Higher Welfare Benefits Increase Dependence

The O'Neill study also found that higher welfare benefits increased the number of women who left the labor force and enrolled in welfare. A 50 percent increase in monthly AFDC and Food

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in Toronto, Canada.

10 Robert Hutchens, "Welfare, Remarriage, and Marital Search," *American Economic Review*, June 1989, pp. 369-379.

11 Dr. Deborah A. Dawson, "Family Structure and Children's Health and Well-being: Data From the 1988 National Health Interview Survey on Child Health," paper presented at the Annual Meeting of the Population Association of America, Toronto, May 1990, Table 5.

12 Marybeth Shinn, "Father Absence and Children's Cognitive Development," *Psychological Bulletin*, Vol. 85, No. 2 (1978), pp. 295-324.

13 Dawson, *op. cit.* See also Nicholas Davidson, "The Daddy Dearth," *Policy Review*, Winter 1990

14 Hill and O'Neill, *op. cit.*

15 Irwin Garfinkel and Sara S. McLanahan, *Single Mothers and their Children: A New American Dilemma* (Washington, D.C.: The Urban Institute Press, 1986), p. 31.

Stamp benefit levels led to a 75 percent increase both in the number of women enrolling in AFDC and in the number of years spent on AFDC. In other words increases in benefits' value will cause dramatic expansion in welfare caseloads.<sup>16</sup>

These findings on the effect of higher welfare benefits in reducing work effort are confirmed by a series of controlled experiments conducted by Office of Economic Opportunity (OEO) in the mid-seventies. The longest running and most comprehensive of these experiments was conducted between 1971 and 1978 in Seattle and Denver, and became known as the Seattle/Denver Income Maintenance Experiment, or "SIME/DIME." The SIME/DIME experiments found that increasing welfare benefits had a dramatic negative effect on labor force participation and earnings. Indeed, the SIME/DIME experiment found that every \$1.00 of extra welfare given to low-income persons reduced labor and earnings by \$0.80.<sup>17</sup>

The results of the SIME/DIME study are directly applicable to existing welfare programs: nearly all have strong anti-work effects like those demonstrated in the SIME/DIME experiment.

Not surprisingly, the growth of the welfare state has coincided with a decline in labor force attachment. In 1960, among the lowest income quintile of population, nearly two-thirds of households were headed by persons who worked.<sup>18</sup> By 1991 this figure had fallen to around one-third, and only 11 percent had household heads who worked full time throughout the year.<sup>19</sup> Part of this decline in employment can be attributed to the increasing number of retired elderly households in this income group, but an equally important factor is the decline in labor force participation among non-elderly heads of households.<sup>20</sup>

Thus higher welfare benefits decrease work effort and increase welfare dependence. But increased dependence, in turn, has strong negative effects on children's intellectual abilities and life prospects. Holding constant a wide range of factors such as family income, parental education, and residence in a slum neighborhood, long-term welfare dependence by a family reduces a child's intellectual ability by over one-third compared to nearly identical children in low-income families that were not on welfare.<sup>21</sup> Not surprisingly, research shows that young women raised in families dependent on welfare are two to three times less likely to graduate from high school than are young women of similar socio-economic background not raised on welfare.<sup>22</sup>

Finally, dependence on welfare also appears to spread from one generation to another. Children raised in families that receive welfare assistance are themselves three times more likely than other children to be on welfare when they become adults.<sup>23</sup>

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16 Hill and O'Neill, *op. cit.*

17 Gregory B. Christiansen and Walter E. Williams, "Welfare Family Cohesiveness and Out of Wedlock Births," in Joseph Peden and Fred Glahe, eds., *The American Family and the State* (San Francisco: Pacific Institute for Public Policy Research, 1986), p. 398.

18 U.S. Bureau of the Census, *Current Population Reports*, Series P-60, No. 80. *Income in 1970 of Families and Persons in the United States*, p. 26.

19 U.S. Bureau of the Census, *Current Population Reports*, Series P-60, No. 180, *Money Income of Households, Families and Persons in the United States: 1991*, p. 7.

20 See footnotes 18 and 19.

21 M. Anne Hill and June O'Neill, "The Transmission of Cognitive Achievement Across Three Generations," paper prepared for the RAND Conference on Economic and Demographic Aspects of Intergenerational Relations, Santa Monica California, March 1992.

22 R. Forste and M. Tienda, "Race and Ethnic Variation in the Schooling Consequences of Female Adolescent Sexual Activity," *Social Science Quarterly*, March 1992.

23 M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants* (New York: City University of New York, Baruch College, March 1990).



This inter-generational dependency is a clear indication that the welfare system is failing in its goal to lift the poor from poverty to self-sufficiency.

## **Why Welfare Undermines Work and Marriage**

Although it seems clear that the current welfare system undermines work and marriage, it useful to understand why this is so. Current welfare may best be conceptualized as a system which offers each single mother a "paycheck" worth an average of between \$8,500 and \$15,000, depending on the state.<sup>24</sup>

The mother has a contract with the government: She will continue to receive her "paycheck" as long as she fulfills two conditions:

- 1) she must not work; and
- 2) she must not marry an employed male.<sup>25</sup>

The current welfare system has made marriage economically irrational for most low-income parents. Welfare has converted the low-income working husband from a necessary breadwinner into a net financial handicap. It has transformed marriage from a legal institution designed to protect and nurture children into an institution which financially penalizes nearly all low-income parents who practice it.

Welfare establishes strong financial disincentives to marry, effectively blocking the formation of intact, two-parent families. Example: Suppose a young man in the inner city has fathered a child out of wedlock with his girlfriend. If this young father abandons his responsibilities to the mother and child, government will step in and support the mother and child with welfare. If the mother has a second child out of wedlock, as is common, average combined benefits will reach around \$13,000 per year.

If, on the other hand, the young man does what society believes is morally correct (i.e., marries the mother and takes a job to support the family), government policy takes the opposite course. Welfare benefits would be almost completely eliminated. If the young father makes more than \$4.50 per hour, the federal government actually begins taking away his income through taxes. The federal welfare reform act of 1988 permits the young father to marry the mother and join the mother and child to receive welfare, but only as long as he does not work. Once he takes a full-time job to support his family, the welfare benefits are quickly eliminated and the father's earnings are subject to taxation.

The economic logic of welfare is simple and cruel. If a mother and father do not marry, their joint income equals: welfare for the mother plus the father's earnings.<sup>26</sup> If they do marry, their joint in-

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24 This sum equals the value of welfare benefits from different programs for the average mother on AFDC.

25 Technically the mother may be married to a husband who works part-time at very low wages and still be eligible for some aid under the AFDC-UP program. However, if the husband works a significant number of hours per month even at a low hourly rate, his earnings will be sufficient to eliminate the family's eligibility to AFDC-UP and most other welfare.

26 The general policy rule is that all means-tested welfare benefit programs have anti-marriage effects because the welfare benefits will be higher if a man and woman do not marry and they are treated by the government as separate "households" for purposes of calculating benefit levels. A partial exception to this rule is the earned income tax program which, because it is limited to employed parents, will encourage marriage between an employed man and a mother on AFDC who is not employed. However, the existing EITC would, in some cases,

come equals the father's earnings alone. Another way of expressing this dilemma is that the welfare system imposes an extraordinarily high marginal tax rate (i.e., income loss rate) on the act of marriage. If a man earning \$10,000 per year marries a mother on welfare, their joint income (including the value of the welfare benefit) will fall by some 50 percent. If a man earning \$20,000 marries a mother on welfare, the couple's joint income will fall some 30 percent.

A simple approach to welfare reform would appear to be to allow the welfare mother to retain all or most of her benefits when she goes to work or gets married. While this approach at first seems plausible, in reality it would result in nearly all low-income families receiving welfare. (For example, it would create a strong incentive for a low-income couple to divorce, put the mother on welfare, and then remarry—or to postpone marriage until after a mother was enrolled on welfare.) The cost would be enormous. Real reform will need to be tougher and more complex.

## Principles of Real Reform

Welfare is currently a check in the mail with no obligations. This is wrong. Instead, welfare should be based on the principle of reciprocal responsibility: society will provide assistance, but able-bodied recipients will be expected to contribute something to society in exchange for the benefits they receive. The Apostle Paul set forth the foundation of sound welfare nearly two thousand years ago. In laying the ground rules for charity in the early Christian church, he stated simply, "He who shall not work, shall not eat."

Society should provide aid to those in need. But, as Paul understood, aid which is merely a one-way handout is harmful to both society and the recipient. Such aid undermines the individual's ability to take responsibility for his or her own life. If the habit of dependence becomes entrenched, it limits the individual's capability to become a fully functioning member of mainstream society.

## Toward Comprehensive Welfare Reform

A second, related goal of welfare reform must be to change the welfare incentive structure. The current incentives for non-work and non-marriage must be drastically reduced. At the same time the rewards to those who work or get married must be increased. Comprehensive reform would have five parts:

- 1) **Reduce Welfare Benefits.** The higher the value of a combined monthly welfare benefits the greater the increase in out-of-wedlock births and dependence. Thus H.R. 529, by raising benefit levels, will have completely counterproductive effects. Rather than increasing benefits, the combined welfare benefits for families on AFDC should be reduced. This is particularly necessary in states with high benefits levels. AFDC recipients are eligible for benefits from nearly one dozen major welfare programs. In roughly half the states, the combined value of benefits received by the average AFDC family very much exceeds the federal poverty income threshold.
- 2) **Establish Work Requirements in the AFDC Program.** Within the AFDC program, mothers who do not have children under age five or who have received AFDC for over five years should be required to perform community service for at least 35 hours per week in exchange for benefits. In all two-parent families receiving AFDC, one parent should be required to

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discourage marriage between a employed man and an employed single mother. Because of the small size of the EITC this effect is probably not great.

work. The work requirements should be permanent, lasting as long as the family receives benefits.

The effect of such a work requirement in encouraging welfare recipients to leave welfare and obtain private sector employment is clear. Equally important but less obvious is the fact that a work requirement also eliminates most of the anti-marriage incentives of the current welfare system. Under the current welfare system, when a single mother marries a fully employed male she loses most of her welfare benefits. Under a welfare system with a work requirement, a single mother would still lose her benefits upon marrying—but she would now be losing benefits which she had to earn rather than a free income, so the loss would be far less significant. As long as the mother could obtain a private sector job which paid roughly as much as welfare, then marriage would no longer impose a significant financial or personal cost on the mother or her prospective spouse. Indeed, if required to work for welfare benefits, some welfare mothers would prefer to marry and be supported by a husband's income rather than enter the labor force. By converting welfare from free income to income which must be earned, a work requirement eliminates most of welfare's anti-marriage incentives and would make marriage economically rational once again for millions of low-income parents.

- 3) **Establish Work Requirements for Food Stamp and General Assistance Recipients.** Food Stamps and General Assistance recipients should be required to perform community service in exchange for benefits received. Elderly and disabled recipients as well as mothers with young children should be exempt from this requirement. Experiments have shown that work requirements for Food Stamp recipients can significantly reduce dependence and produce significant savings for the taxpayer.<sup>27</sup>
- 4) **Provide Tax Credits or Vouchers for Medical Coverage to All Working Families.** The current welfare system, which provides free medical coverage to single parents and non-working parents on AFDC but does not provide medical assistance to low-income working families, discourages both work and marriage. The federal government could reduce the anti-work/anti-marriage effects of welfare by enacting the comprehensive medical reform proposed by The Heritage Foundation.<sup>28</sup> This plan would provide federal tax credits and vouchers for the purchase of medical insurance to low-income working families not eligible for Medicaid.
- 5) **Provide Tax Relief to All Families with Children.** The federal government heavily taxes low-income working families with children. A family of four making \$20,000 a year currently pays about \$3,000 in federal taxes. This heavy taxation promotes welfare dependence by reducing the rewards of work and marriage relative to welfare. A crucial step in welfare reform is broad family tax relief to all low-income working families.

## **Education Reform and Moral Renewal in the Inner City**

However, reforming welfare alone will not be sufficient to grapple with the real problems of urban poverty. In addition, we must draw upon the strengths of institutions outside government. Par-

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27 Abt Associates, *Food Stamp Work Registration and Job Search Demonstration: Final Report* (Office of Analysis and Evaluation, U.S. Department of Agriculture, contract No. 53-3198-0-85), July 1986.

28 Stuart M. Butler and Edmund F. Haislmaier, eds. *A National Health System for America* (Washington, D.C.: The Heritage Foundation, 1989).

ticularly important are churches. The church in the inner city can and should be our number one weapon in combatting crime, poverty, family break up, and school failure. Research by Dr. Richard Freeman of Harvard University shows that black inner-city youth who have religious values are 47 percent less likely to drop out of school, 54 percent less likely to use drugs, and 50 percent less likely to engage in crime than those without religious values.<sup>29</sup> Religious institutions can succeed in improving urban life where government has failed.

Churches need to have a larger role in building the moral character of young people in the inner city. At the same time poor parents need the right to choose the type of education which will best meet the moral and intellectual needs of their children. Both goals can be met by providing poor parents with educational vouchers which can be used to send their children to any school the parent chooses, public, private, or religious.

Poor parents should have the same right of choice in education currently exercised by Bill Clinton, Al Gore, Jesse Jackson, and Marion Wright Edelman. Because they are rich, these parents are not forced to send their children to public schools; instead they send them to private schools. Ironically, they will adamantly fight to deny the same right of choice to poor parents. The bottom line is simple: Poor parents do not need more Food Stamps, instead they need school vouchers which will give them the same rights of choice in education currently exercised by Bill Clinton and Al Gore.

## Conclusion

Any attempt to reform the current structure of public welfare must begin with a realization that most programs designed to alleviate "material" poverty generally lead to an increase in "behavioral" poverty. While the poor were supposed to be the beneficiaries of the War on Poverty's transfer programs, they instead have become its victims. If policy makers fail to recognize or respond to this relationship, the welfare state will continue to worsen, rather than improve, the lives of America's poor.

The rule in welfare, as in other government programs, is simple: You get what you pay for. For over forty years the welfare system has been paying for non-work and single parenthood and has obtained dramatic increases in both. But welfare which discourages work and penalizes marriage is a system which ultimately harms its intended beneficiaries. Comprehensive welfare reform must combine toughness and a refusal to reward negative behavior with positive rewards for constructive behavior.<sup>30</sup>

However, truly grappling with the problems of the inner city and American families will require much more than reforming welfare policies. In addition, we need to begin a process of cultural renewal. Key to this renewal is educational reform based on parental choice and a broadening of the role of America's number one anti-poverty weapon: the inner-city church.

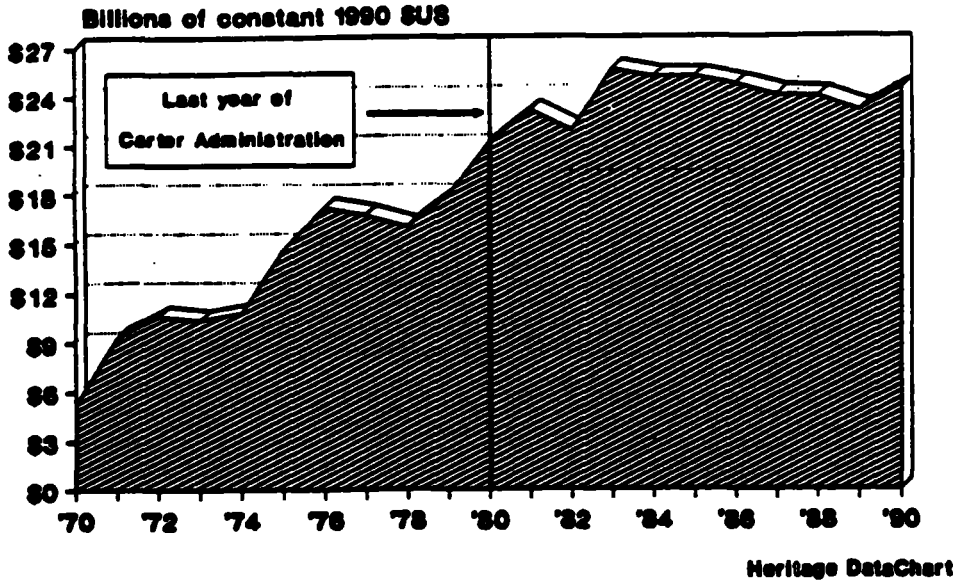
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29 Michael Novak, *The New Consensus on Family and Welfare* (Washington, D.C.: American Enterprise Institute, 1987), p. 34.

30 See Isabel V. Sawhill, "The Underclass: an Overview," *The Public Interest*, Summer 1989.

## Chart 5

### Total State and Federal Expenditures on Food Assistance Programs

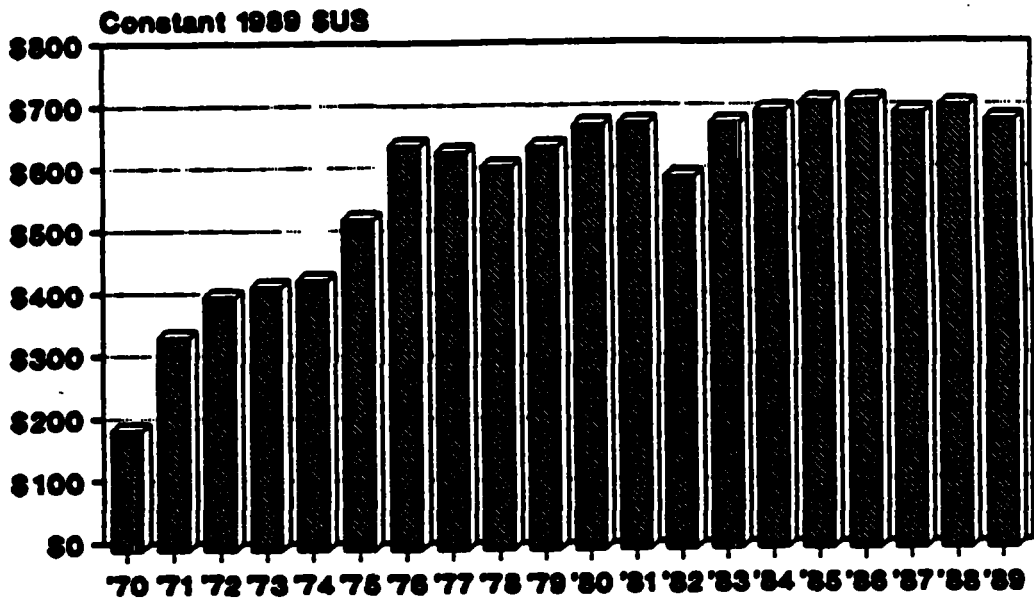


\* Spending programs include: Food Stamps, WIC, School Lunch Program, Food Donation Programs, Child Nutrition Programs, among others.

Source: USDA, Food and Nutrition Service

## Chart 6

### Total Food Assistance Spending Per Poor Person



Source: U.S. Bureau of the Census; USDA, Food and Nutrition Service.