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HOW TO STRENGTHEN AMERICA'S CRUMBLING FAMILIES

INTRODUCTION

America's families are under siege. Middle-income as well as blue-collar families are finding it hard to buy a first home or pay for their children's college tuition, partly because a steady rise in the burden of taxation means they have less money in their pockets. Working families also suffer because slow productivity growth in the United States economy in recent decades means real wages have stagnated. Poor families have been especially hard hit. Those who fall below the poverty line enter a dispiriting welfare system of perverse incentives that undermine work, personal responsibility, and family stability. What is worse, the incentives of the welfare system mean fathers become a financial liability if they stay with their family. This encourages fathers to abandon their responsibilities.

Growing Tax Burden. The growing tax burden has undermined the finances of millions of families. When state and local taxes are included, government now takes over one-third of the income of the average two-parent family. During the past four decades, the federal income tax burden on a family of four has increased by over 300 percent as a share of family income. Single Americans and married couples with no children have escaped most of this tax increase. Measured by average after-tax per capita income, families with children now are the lowest income group in America. Their average after-tax income is below that of elderly households, single persons, and couples without children.

Families with children face a disproportionate tax burden because the federal tax code has become increasingly biased against these families. The main reason for this has been the steady decline in the value of the personal exemption applying to children, which is the tax allowance for the cost of raising children.

Fortunately, lawmakers in Washington seem at last to have come to understand that the American family is overtaxed. To cut this tax burden, lawmakers from both parties have submitted legislation in Congress. On the Republican side, bills cutting taxes on families have been introduced in the House by Representatives Frank Wolf of Virginia (H.R. 1277) and Vin Weber of Minnesota (H.R. 3744), and in the Senate by Indiana Senators Dan Coats (S. 710) and Bob Kasten (S. 1920). On the Democrat side, bills

have been introduced in the Senate by Senators Albert Gore of Tennessee (S. 995), Lloyd Bentsen of Texas (S. 1921), and Bill Bradley of New Jersey (S. 1846), and in the House by Representative Tom Downey of New York (H.R. 2242). In addition, President George Bush as well as Governor Bill Clinton have proposed family tax relief in their campaigns for the White House.

Wage Stagnation. These measures represent a welcome, if belated, recognition that action is needed to reverse a tax trend that is wounding American families. But because mushrooming taxation is only one factor in the financial problems facing the average American family, easing the tax burden is not the complete solution. The other cause for concern is the slowdown in the growth of real wages and salaries for working parents. Since 1970, wages and salaries, adjusted for inflation, have grown much less rapidly than in the 1950s and 1960s.¹ For the first 25 years following World War II, the average family could expect a continuing improvement in income, based on the steady real growth of one breadwinner's earnings. But since about 1970, a growing number of families have found it necessary for both parents to enter the work force for there to be even modest growth in real family income, both before and after taxes. And even though the Reagan tax cuts enacted in the 1980s did help, this tax relief was not sufficient to offset the policy mistakes of the 1970s. Caught between this slowdown in wage growth and the rise in taxation, most parents today thus find they must work more and more to achieve even a modest annual improvement in family income.

Family Disintegration. The third major problem facing families and children is the decline of marriage. Studies indicate that many of the social problems of young Americans—which often continue into later life—are linked to their upbringing in single-parent households. The erosion of the institution of marriage has affected all segments of American society, but its consequences have been most devastating in low-income communities. In the black community the decline of marriage is now a crisis. In 1965, when the War on Poverty began, roughly one out of four black children were born out of wedlock. The rate today is 65 percent, and if current trends continue the rate will rise to 75 percent by the year 2000.

Much of the increase in single parenthood among the poor is caused by an expanding welfare state which has transformed low-income fathers from necessary breadwinners to financial burdens for their families. The current welfare system actively rewards households in which a father avoids his obligations, and it penalizes marriage. A new system is needed which promotes the formation of self-sufficient, two-parent families.

1 All income figures in this paper are adjusted for inflation using the U.S. Bureau of Labor Statistics Consumer Price Index, model CPI-U-X1. This deflator more accurately depicts changes in consumer prices in the 1970s and early 1980s, and is more accurate for historical comparisons. If the alternative CPI-U were used, the data would show the same rates of income growth as those presented in this chapter for the 1950s, 1960s, and 1980s, but slightly lower income growth in the 1970s. All figures in the text depicting taxes as a percentage of income and income lost to increased taxes are unaffected by the inflation measure chosen. For a discussion of the CPI-U-X1 and CPI-U, see U.S. Bureau of the Census, *Money Income of Households, Families, and Persons in the United States: 1990*, Current Population Reports, Series P-60, No. 174 (Washington, D.C.: U.S. Government Printing Office, 1991), pp. 8-9.

A comprehensive policy to strengthen American families must include four key elements:

Element #1: Family Tax Cuts. There must be tax cuts to relieve the burden on overtaxed families with children. Federal taxes on working families with children should be cut at least \$1,000 for each dependent child.

Element #2: Increased Productivity. Policies are needed to stimulate productivity growth in the economy and thereby raise the real wages and salaries of American parents as well as other workers. These policies require tax cuts on savings and investment. Among the necessary steps: a reduction in the capital gains tax, expanded individual retirement accounts (IRAs), and tax fairness for investment by allowing business to deduct the full value of new investments in plants and equipment as a business expense.

Element #3: Spending Cuts. Increasing taxes on other Americans to finance tax relief for families with children might help those families in the short run, but it would do so only by reducing long-term economic growth and thus adding to the wage stagnation problem. Tax cuts which would cause further increases in the federal deficit also would be folly. Thus family tax relief should be paid for by capping the growth of non-defense federal spending. Holding the spending growth at roughly five percent per annum would allow a reasonable level of tax relief. In this way, each dollar of family tax relief would be matched by one dollar in reduced domestic spending.

Element #4: Welfare Reform. The current welfare system discourages work, marriage, and family responsibility, and encourages welfare dependency. To rebuild America's shattered poor families, the welfare system must be overhauled to promote responsible behavior, marriage, and self-sufficiency.

In welfare, you get what you pay for. Since the 1960s the government has been paying for single parenthood and non-working households and it has been getting dramatic increases in both. The welfare incentive system must be revised to promote rather than penalize marriage and self-sufficiency. This can be accomplished by increasing support to low-income two-parent and single-parent families who are prepared to work. Conversely, the high welfare benefits that go to non-working single mothers on welfare must be reduced, and some welfare mothers should be required to work in exchange for the benefits they receive.

The family is the core of American society. It is the principal mechanism through which values, knowledge, discipline, and motivation are passed from one generation to the next. The family almost alone molds the character of future generations, and thus it serves as the foundation of civilized life. If the family is weakened, government programs cannot repair the damage. But rather than bolstering families, many government policies actually undermine them. These anti-family government policies must be reversed if American society is to regain its health and vitality.

HOW WASHINGTON HAS HIKE TAXES ON CHILDREN

Federal taxation of families with children has increased dramatically over the past four decades. In 1948, a family of four at the median family income level paid just two percent of its income to the federal government in taxes.² In 1989 the equivalent family paid nearly 24 percent of its income to the federal government.³ When state and local taxes are included, the tax burden on that family exceeds one-third of its income.⁴

As Table 1 shows, the rise in federal income taxes on families with children in the last four decades has been much faster than for other groups of Americans. From 1954 to 1989, the average federal income tax rates for single persons and married couples with no children did not increase.⁵ But for a married couple with two children, the average income tax rate more than doubled. And for a family with four children, the average income tax rate rose from zero in 1954 to 2.6 percent in 1960, and to 6.3 percent in 1989.

The root cause of this growing anti-family bias in the federal income tax code has been the eroding value of the personal exemption. The personal exemption for children was intended to offset part of the annual costs of raising a child by allowing families to deduct an amount of money from their taxable income. In 1948, the personal exemption was \$600. This was equal to roughly 20 percent of the median income of two-parent families, then \$3,272.⁶ For a family of four, the \$600 personal exemption shielded nearly 80 percent of family income from federal income tax. Families could reduce their tax bill further by itemizing deductions or taking the standard deduction, and this protected most of the remaining 20 percent of income from income tax. The result: in the late 1940s and early 1950s the average family with children paid little or no income tax.

In the past four decades, however, increases in the personal exemption have lagged far behind the rise in incomes and inflation. Although the Tax Reform Act of 1986 raised the value of the personal exemption from \$1,000 to \$2,000, this only partially offset the erosion in the value of the exemption since the 1940s. Chart 1 shows the declining value of personal exemptions relative to the median income of two-parent fami-

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- 2 The value of the personal exemption also declined between the imposition of the federal income tax in 1913 and World War II. But 1948 is chosen as a benchmark because it is neither a depression year nor a war year, and because it marks the beginning of a long period of high inflation and rising taxes.
 - 3 These figures represent the tax rates for a family of four at the median family income level for two-parent families.
 - 4 Estimate based on data supplied by U.S. Bureau of the Census.
 - 5 The average or effective income tax rate is a measure of total taxes compared with income. By contrast, the marginal tax rate, or "tax bracket," is a measure only of the tax paid on the last dollar earned. Thus many families have experienced a cut in their marginal tax rates, yet their average tax rates have climbed.
 - 6 Mary F. Henson, *Trends in Income, by Selected Characteristics: 1947 to 1988*, U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 167 (Washington, D.C.: U.S. Government Printing Office, 1990), p. 19.

Table 1
Federal Income Tax for Median Income Family by
Family Size and Type, 1948-1989

		Single		Joint					
				No Children		2 Children		4 Children	
Year	Median Family Income	Tax	% of Income	Tax	% of Income	Tax	% of Income	Tax	% of Income
1948	\$3,187	\$300	9.4%	\$208	6.5%	\$9	0.3%	\$0	0.0%
1954	4,167	534	12.8	402	9.6	162	3.9	0	0.0
1960	5,620	780	13.9	625	11.1	385	6.9	145	2.6
1966	7,532	962	12.8	741	9.8	524	7.0	328	4.4
1972	11,116	1,544	13.9	1,201	10.8	916	8.2	631	5.7
1978	17,640	2,602	14.7	2,101	11.9	1,768	10.0	1,408	8.0
1980	21,023	3,348	15.9	2,643	12.6	2,176	10.4	1,756	8.4
1982	23,433	3,543	15.1	2,767	11.8	2,327	9.9	1,904	8.1
1984	26,433	3,641	13.8	2,844	10.8	2,421	9.2	2,061	7.8
1986	29,458	4,107	13.9	3,217	10.9	2,744	9.3	2,348	8.0
1987	30,853	3,869	12.5	2,876	9.3	2,306	7.5	1,736	5.6
1989	34,213	4,404	12.8	3,352	9.8	2,751	8.0	2,151	6.3

Note: Median Income is the level at which half of all families have income below that level, and half above. Examples assume itemizable expenses equal to 23 percent of Adjusted Gross Income in all years. No deductions are made for two-income families.

Sources: Figures for 1948-1978 from Eugene Steurle, "The Tax Treatment of Families of Different Sizes," *Taxing the Family*, (Washington, D.C.: American Enterprise Institute, 1983), p. 76. Figures for 1978-1989 from Thomas M. Humbert, "Ending the Tax Code's Anti-Family Bias by Increasing the Personal Exemption to \$6,300," Heritage Foundation Backgrounder No. 687, January 30, 1989. Income data based on *Money Income of Households, Families and Persons in the U.S.*, U.S. Bureau of the Census, various years.

lies. As the value of the personal exemption has declined, the income tax paid by families with children has increased.

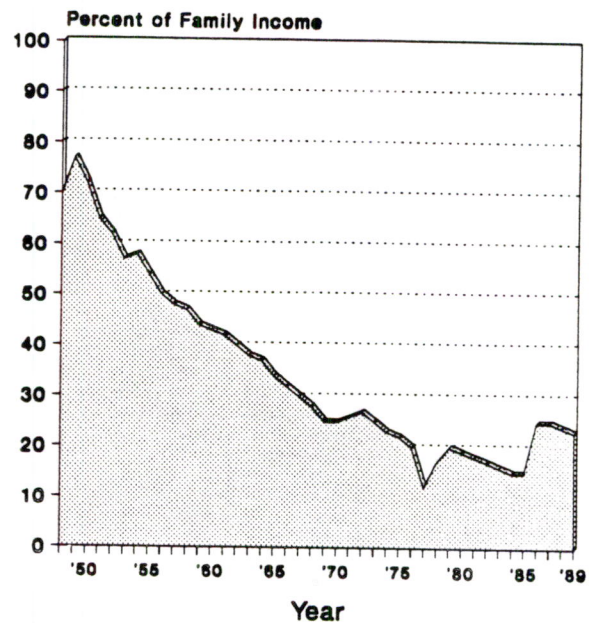
For the personal exemption today to have the same value relative to family income that it did in 1948, it would have to be about \$8,000 in 1992 and an estimated \$9,000 in 1996. At least a partial restoration of the value of the personal exemption is a necessary step in improving the financial well-being of American families.

The second tax blow to family finances has been the increase in Security Social taxes, technically known as "payroll taxes." In 1948, workers paid a two percent Social Security tax on annual wages of up to \$3,000: one percent was paid directly by the employee and one percent paid indirectly by the employer through the so-called employer share.⁷

By 1989, combined Social Security taxes had risen to 15 percent of wages on incomes up to \$48,000. While all workers have suffered from skyrocketing Social Security taxes, the bite has been most severe on working families with children. The reason for this is that Social Security taxes, unlike regular income taxes, are not adjusted for the number of dependents in a family, so a working parent trying to support a family of four feels the sting of this tax far more sharply than a single person at the same wage level. The effect of Social Security taxation is particularly severe on lower-income parents; a family with an income of \$25,000 per year, for instance, pays \$3,750 in Social Security taxes. Moreover, Social Security taxes on today's young parents greatly exceed the real value of any retirement benefits they will receive from the system.⁸

Undermining Family Income. Chart 2 shows the growth in federal taxes as a share of median family income.⁹ At two percent of income in 1948, effective tax rates have risen each decade. By 1979, the median family of four paid 24 percent of its income to

Chart 1
Share of Income Protected from Federal Income Tax by Personal Exemptions



Source: Heritage Tax Model, Income data from U.S. Bureau of Census. Heritage DataChart

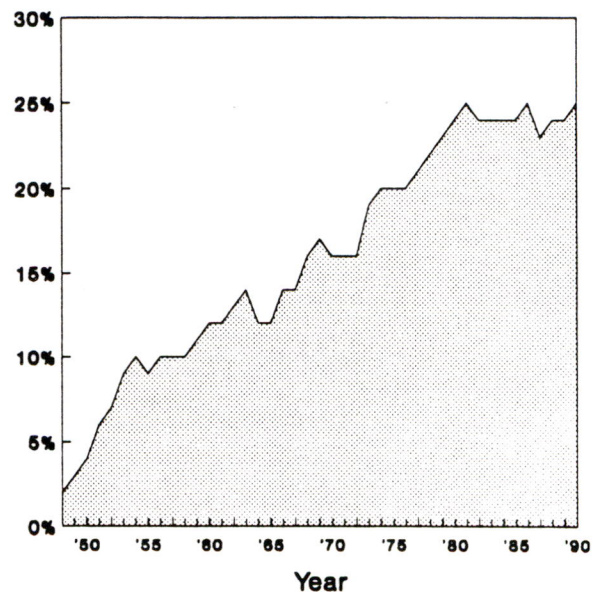
⁷ Liberal and conservative economists agree that both shares of the Social Security tax are in fact direct taxes on workers' wages. See Joseph A. Pechman and Benjamin A. Okner, *Who Bears the Tax Burden?* (Washington, D.C.: The Brookings Institution, 1974), pp. 25-43.

⁸ Peter J. Ferrara, *Social Security: The Inherent Contradiction* (Washington, D.C.: The Cato Institute, 1980).

the federal government. Because of Ronald Reagan's policies, the rise in federal tax rates on the average family was halted. If Reagan had persevered in his original tax reduction plans, taxes as a share of average family income actually would have declined. But the Reagan income tax cuts enacted in 1981 were offset partly by tax increases in 1982. And following the recommendations proposed by the 1982 National Commission on Social Security Reform, Reagan unwisely agreed to accelerate the introduction of future Social Security tax hikes scheduled under legislation enacted by President Carter in 1977.

But despite the partial rollback of Reagan's early steps to cut taxes on middle-class families, Reagan did stem what had been a relentless growth in taxes as a share of family income. The 1980s were the first decade since World War II when effective tax rates on the average family with children did not rise. Average taxes in 1989 were 24 percent of family income, roughly what they were in 1979.

Chart 2
Federal Taxes as a Share of Median Family Income: 1948-1990



Note: Figures are for a median income family of four.

Source: Heritage Tax Model; income data from U.S. Bureau of Census.

Heritage DataChart

The effect of federal taxes on family income is shown in Chart 3 (next page). Two facts stand out. One is that in each decade up to 1980 the rate of increase in pre-tax family income declined. The other is that the "tax bite," or the share of family income collected by the IRS, increased. Thus taxes rose as income growth slowed. This trend peaked during the 1970s. In that decade median pre-tax family income, adjusted for inflation, increased by about \$6,000. But of that \$6,000, exploding federal taxes swallowed up \$4,000. Thus of every dollar in income gained by the average family in the 1970s the federal government took 66 cents.

Taxing Families Out of House and Home. The income loss due to increased taxation has seriously strained American family finances and profoundly affected American family life. Chart 4 (next page) shows the effects of increases in federal income and Social Security taxes since World War II on the finances of the average family. Total pre-tax income for the median two-parent family in 1989 was \$41,442.¹⁰ After

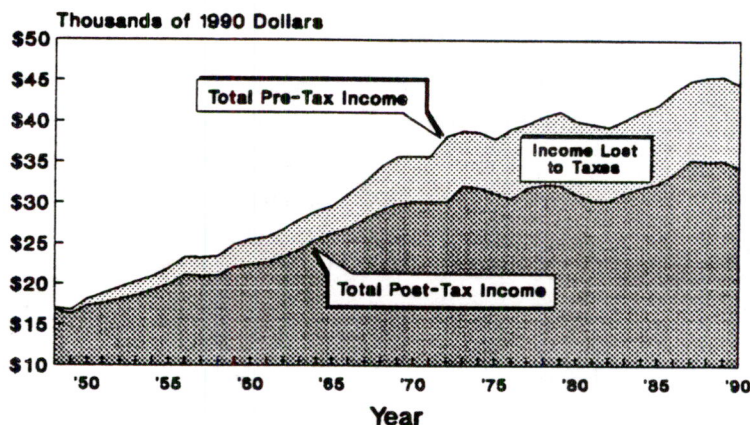
9 Social Security and income taxes as a share of the median income for a family of four in each year. Henson, *op. cit.*, p. 21 and other data provided by the Bureau of the Census. Tax calculations from Heritage model, assuming that families claim itemized deductions equal to 23 percent of gross income through 1986 and 18 percent thereafter.

taxes this family's income fell to \$32,408. If federal taxes as a percentage of family income were restored to 1948 levels, the family's post-tax income would have been \$40,618. For the median income American family, the loss of income in

1989 because of the increase in federal taxes as a share of family income, due to the falling value of the personal exemption and the rise in Social Security taxes since the late 1940s, was \$8,210.

This income loss severely affects the ability of families to support themselves. The median price of a single family home purchased in 1989, for instance, was \$93,100. The average annual mortgage payment on such a home (including principal and interest) was \$7,920.¹¹ Thus, the annual family income loss due to increased federal tax rates for the average family in the last four decades actually exceeds the annual cost of an average family home mortgage.

Chart 3
Income Lost to Federal Taxes
for a Family of Four: 1948-1990

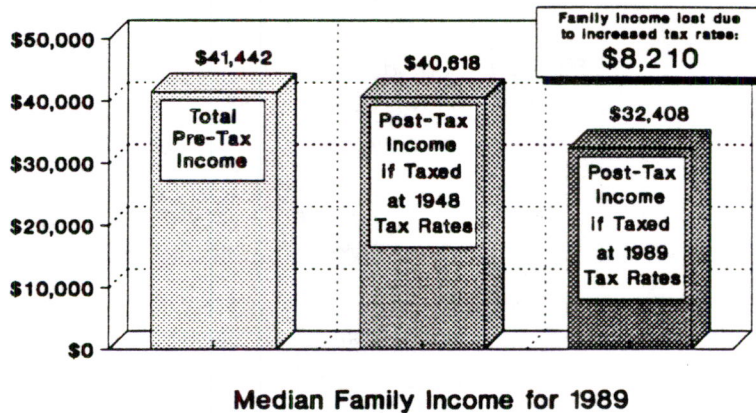


Note: Figures are for a median income family of four.

Source: Heritage Tax Model, Income data from U.S. Bureau of Census.

Heritage DataChart

Chart 4
Effects of Increased Federal Taxes
on Family Finances



Source: Heritage Tax Model, Income data from U.S. Bureau of Census.

Heritage DataChart

10 Data from the U.S. Bureau of the Census. Total pre-tax family income includes the employer share of Social Security tax deducted from the parents' wages.

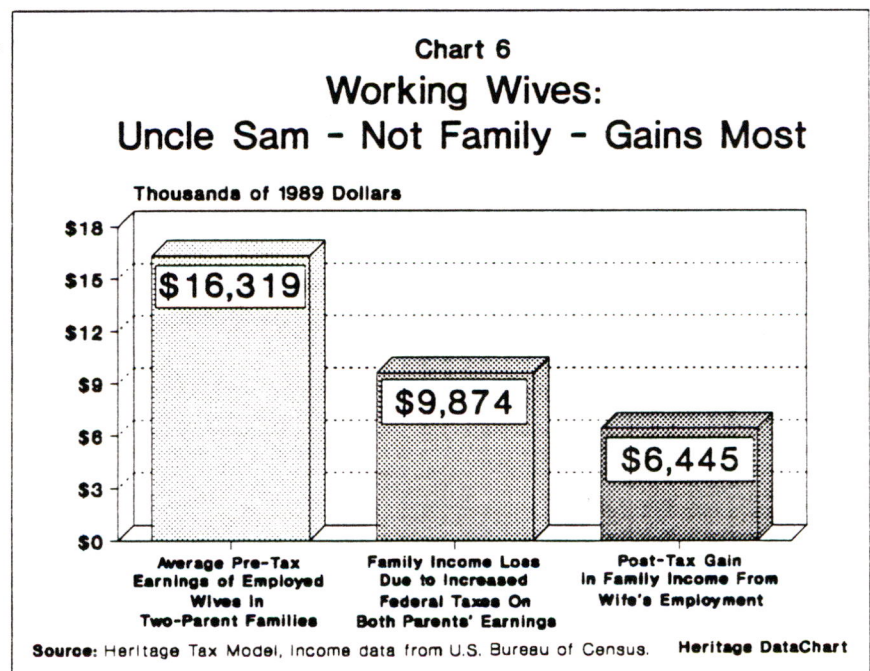
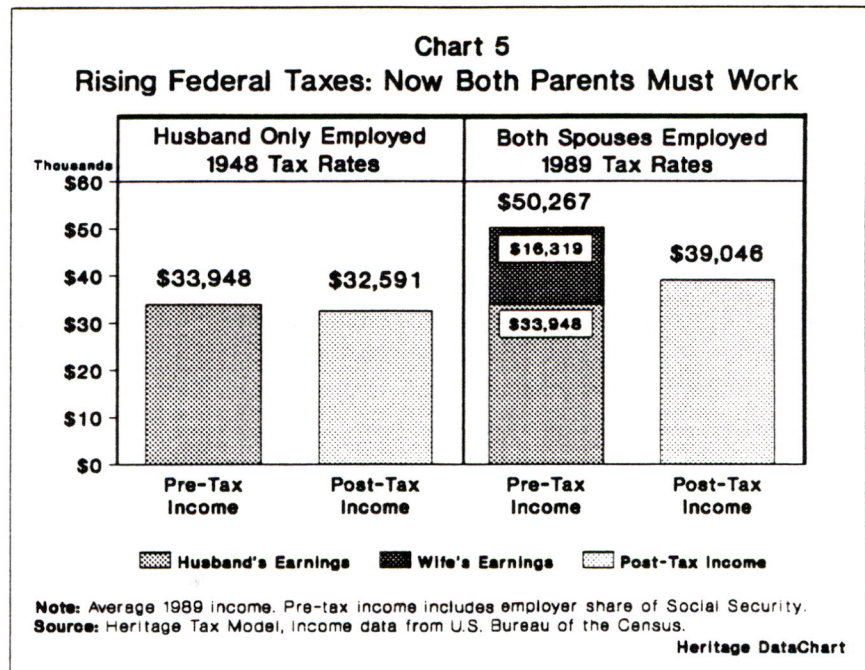
11 National Association of Realtors, *Home Sales*, January 1991, p. 12.

Family Time Famine. The loss of income due to rising taxes also helps explain why so many mothers have felt compelled to join the work force to make ends meet.

For the average family in which both the husband and wife are employed, the wife's earnings equal about 32 percent of total family income.¹² The average employed mother, juggling her job and family demands, knows only too well that despite her efforts the pay-checks she brings home do

not seem to be raising her family's living standard very much. The reason: only about one-third of her earnings actually are taken home for the family's budget. The remaining two-thirds of today's mother's earnings pay the higher federal taxes on family income levied since World War II. In fact, if federal tax rates as a percentage of family income were restored to 1948 levels, and if the average employed mother in a two-parent family were to leave the labor force entirely, the family would see only a moderate dip in real post-tax income.

Charts 5 and 6 show why this is so. Average total pre-tax income in 1989 in families



12 U.S. Bureau of the Census, *Earnings of Married-Couple Families*, Current Population Reports, Series P-60, No. 165 (Washington, D.C.: U.S. Government Printing Office, 1989), pp. 8, 9.

where both spouses were employed was \$50,267. Of this, the husband's average earnings were \$33,948 and the wife's average earnings were \$16,319.¹³ After federal taxes, post-tax income for this family fell to \$39,046. If federal tax rates as a percentage of family income were restored to 1948 levels, the family's post-tax income would be \$32,591 if only the husband worked, or just \$6,455 less than the family's current post-tax income today with both spouses working. Thus nearly two-thirds of the employed wife's average earnings go to pay for increased taxation; only one-third to support the family.

This does not mean that all employed mothers would want to or should leave the labor force if taxes were lowered to earlier levels. But it does show strongly that rising federal taxation is a key factor in the financial and personal strains that force many mothers reluctantly into the work force. It also helps to explain why parents today typically spend 40 percent less time interacting with their children than did parents in earlier generations. While parents in 1965 spent 30 hours per week in direct contact with their children, by 1985 such time spent with children had dropped to just 17 hours.¹⁴

Surveys indicate that the pressure on parents to work harder and longer to keep the family financially afloat is eroding the quality of family life. A 1988 *USA Today* survey found that 73 percent of two-parent families would choose to have one parent remain at home full time to care for their children if "money were not an issue."¹⁵ A 1989 survey by the *New York Times* found that 72 percent of employed fathers and 83 percent of employed mothers feel torn between the demands of their jobs and their desire as parents to spend more time with their families. A 1989 Cornell University study discovered that two-thirds of mothers employed full time would prefer to work fewer hours in order to devote more time to family life. And over half of the fathers and mothers surveyed in a similar *Los Angeles Times* poll conducted in 1990 stated that they feel guilty about spending too little time with their children.¹⁶

The conclusion from these data is clear: The best way for the federal government to strengthen families and assist parents in their vital role of raising the next generation of Americans is to reduce their tax burden.¹⁷

HOW TO PROVIDE FAMILY TAX RELIEF: THE FAMILY TAX FREEDOM PLAN

The simplest way to reduce the tax pinch on middle class families with children would be to restore the income tax personal exemption for children, generally known as the "dependent exemption," to its 1948 level. In 1948 the dependent exemption was equal to roughly 20 percent of the median income for two-parent families. For the exemption to have the same value in terms of family income, it would have to be set at

13 Pre-tax income figures include the employers' share of Social Security tax. Data from the U.S. Bureau of the Census.

14 William R. Mattox Jr., "The Parent Trap," *Policy Review*, Winter 1991, p. 6.

15 *Ibid.*

16 *Ibid.*

17 *Ibid.*

approximately \$8,000 in 1992 and raised to about \$9,000 by the mid-1990s. Doing this would put roughly \$1,000 in the pocket of the average family in new tax relief for each child.

Raising the exemption, however, would not in fact be the best way to provide relief. Most families with incomes below \$27,000 per year do not pay enough income tax to get the full value of raising the personal exemption for dependent children to \$9,000. Yet they are still heavily taxed. This is because income liable to Social Security taxes is not reduced by exemptions and other deductions. Families with modest incomes thus need relief from Social Security taxes as well as from income taxes. A practical way to give reasonable tax relief to these families would be to enact a non-refundable "child credit." Parents would use such a credit to reduce both their income tax and the employer and employee Social Security tax liability.

The following example illustrates the difference between an income tax exemption and a tax credit. With an income tax exemption, income equal to the amount of the exemption is exempted from income tax. Thus for a family in the 15 percent income tax bracket, a \$1,000 exemption decreases taxes owed by \$150. By contrast, under a tax credit the amount of the credit is deducted from the taxes paid. It directly reduces tax liability. Thus for the same family in the 15 percent income tax bracket, a \$1,000 tax credit decreases net taxes by \$1,000. And because a tax credit can be applied to both income and Social Security taxes, it is the better way to reduce the tax burden on modest income families.

As Chart 4 above showed, increases in federal tax rates as a percentage of family income since the early 1950s have raised the tax burden on the average family by over \$8,000 per annum. While it would be impossible to eliminate this excessive taxation in one step, it is possible to begin to roll back the family's tax burden. The most effective way to begin to roll back the tax burden would be to provide a \$1,000 tax credit for each child under age eighteen in working families. The tax credit could be used to reduce a family's income tax liability, employee Social Security tax liability, and employer Social Security tax liability.¹⁸ The credit would be available to working, taxpaying families only. And the credit would not be refundable, meaning the value of the credit could not exceed a family's financial liability from income and social security taxes. For the average family in the 15 percent federal income tax bracket, a \$1,000 per child credit would give roughly the same level of tax relief as raising the dependent exemption in the income tax code back to 1950 levels.

The credit would substantially reduce the tax burden of lower income working families. Federal taxes would be eliminated on working families with incomes below roughly 120 percent of the federal poverty threshold. Example: Under the proposal, a family of four earning around \$16,000 in 1992 would pay no federal taxes.¹⁹ Families

18 The maximum value of the proposed credits thus would not exceed a family's total tax liability, represented by federal income tax and social security taxes paid by the employee and employer. For families receiving the earned income tax credit (EITC), the value of the new credits proposed in this study would not exceed the family's net tax liability after receipt of the earned income tax credit. Thus if the current EITC already reduced a family's tax liability to zero, that family would not be eligible to receive the proposed new credits because it has no tax liability.

with earned incomes above \$16,000 generally would have their taxes cut by the full \$1,000 per child but would continue to pay some reduced federal taxes.

Young Child Credit. The families facing the most severe financial pressures of all are those with young children. The reason is that families with one or more pre-school children either must bear the cost of day care for their children or must forego the salary of one parent while she or he remains at home to care for the children. Thus a tax policy designed to help families with children should give greater tax relief to families facing the higher costs of raising young children. Such a family policy, moreover, should not discriminate against families making the economic sacrifice of keeping one parent at home to care for young children. An extra \$500 credit for each child under age six in the family would help to offset the extra costs faced by these families. This credit would be available to all taxpaying families with young children and would replace the current dependent care tax credit, which is available only to parents using paid non-parental day care.²⁰

The family tax freedom plan thus would provide two levels of tax credit:²¹

Level I: a \$1,000 tax credit for each child aged six to eighteen.

Level II: a \$1,500 tax credit for each child under age six.

Both credits could be used to reduce income tax liability and Social Security taxes owed through the employee and employer share. And the credits would not be refundable—meaning they could not exceed the value of a family's combined income tax and Social Security tax liability.

This system of tax credits would constitute an important but only modest step toward alleviating the crushing tax burden that has been imposed on families with children since 1948. With the proposed new credits, a two-parent family at the median family income with one pre-school and one school age child would pay \$2,500 less in taxes. Total federal taxes on this family would fall to around 19 percent of income, or roughly the same level as existed in 1973. Thus, while the credits would be a small first step in the right direction, they still would not go very far toward eliminating the excessive taxation since World War II.

19 As with the current earned income tax credit, low-income families would continue to earn credit toward future Social Security retirement benefits based on the amount of labor performed—even if no actual Social Security taxes were paid.

20 The proposed credits also would replace the current tax exclusion for employer provided dependent care for children.

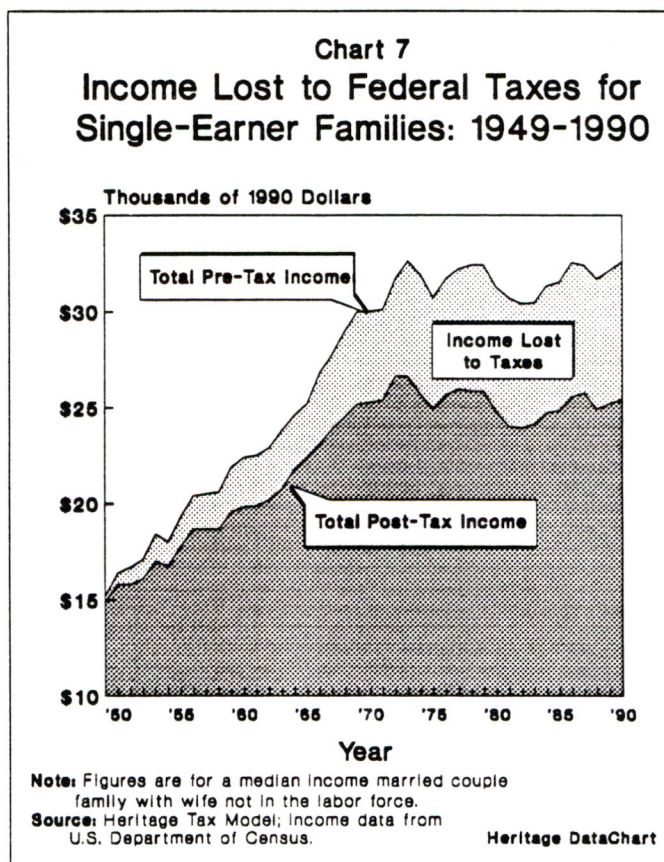
21 For a full discussion of the family tax freedom plan, see Robert Rector, "Reducing the Financial Burden on the Embattled American Family," in Scott A. Hodge, ed., *A Prosperity Plan for America—Fiscal 1993* (Washington, D.C.: The Heritage Foundation, 1992).

GRAPPLING WITH WAGE STAGNATION

The most pressing financial problem facing families with children today is overtaxation, and this can be addressed by tax relief measures such as those outlined above. But families with children face another financial problem which requires a more indirect and long-term solution. That problem is the slowdown in wage and salary growth due to low productivity improvements in the U.S. economy. The heavy tax burden on savings and investment is a principal cause of this slow growth.

As Chart 3 showed, median family income in constant dollars grew less rapidly in the 1970s and 1980s than in prior decades. Moreover, most of the increase in family income in the 1970s and 1980s was due to wives entering the labor force. While in earlier periods a husband's salary alone normally could provide a steady increase in real family income, after 1970 it became necessary in many families for both spouses to enter the labor force just to achieve even a modest increase in the family's standard of living.

Chart 7 shows the constant-dollar growth of income in married couple families in which only the husband is employed (These data are a reasonable proxy for the salary growth of husbands in general since World War II). Between 1950 and 1970, the real income of husbands nearly doubled. Between 1970 and 1990, however, real pre-tax incomes grew by only 8 percent.²² What is worse, growing federal taxation swallowed up what little income gain there was; post-tax in-



²² These data slightly underestimate the growth in real incomes since 1970 because they do not include increases in non-wage benefits such as medical coverage. Nevertheless even if increase in benefits are taken into account the fact remains that there was a significant slowdown in the increase of husbands' total income (including salaries and benefits) after 1970. Data from Henson, *op. cit.* See also U.S. Bureau of the Census, *Money Income of Households, Families, and Persons in the United States: 1987*, Current Population Reports, Series P-60, No. 162 (Washington, D.C.: U.S. Government Printing Office, 1989), p. 107. This gives historical data on the incomes of males employed full time year round. More recent data are available in later issues. All data series show nearly identical trends in male earnings over time.

come for these single-earner families has not increased at all over the past twenty years.

The stagnation in post-tax income of working husbands played a large role in inducing large numbers of wives to enter the labor force in the 1970s and 1980s. While this extra labor did raise family incomes somewhat, at least half of the family income added in this manner was swallowed by escalating federal taxes. Today's families thus are being crushed by the dual problem of high taxation and slow wage growth.

Lawmakers interested in relieving the financial pressures on the modern family thus cannot merely reduce taxes on families. They also must enact policies that will restore wage growth to the levels that prevailed in the 1950s and 1960s. This means tax reforms that will spur the savings and investment needed to make the U.S. economy more productive, so that American workers can enjoy higher incomes. Among the necessary reforms:²³

1) Cut the capital gains tax rate to 15 percent and index this tax rate to the rate of inflation.

In contrast with America's leading industrial competitors, investors in U.S. companies face high taxes on the nominal value of gains they make in the value of their investments. In the U.S. the top rate of capital gains is 28 percent. By contrast, the top rate in Japan is 5 percent and in Germany there is no such tax on assets held for longer than six months. The heavy tax on U.S. capital gains discourages Americans from making the investments in industry necessary to improve productivity, and thus the incomes of American workers.

2) Extend and expand Individual Retirement Accounts (IRAs).

Like capital gains, the earnings Americans receive on their savings is more heavily taxed than in most other industrialized countries. This high taxation encourages Americans to consume their income rather than to save. This in turn reduces the available pool of money for new investment.

Individual Retirement Accounts (IRAs) reduce the tax bias against savings by deferring income taxes on income placed into the special accounts. Unfortunately, the 1986 Tax Reform Act sharply restricted the amount of income that families could place in such accounts. Extending and expanding these accounts, and revising the tax treatment of the accounts, would boost savings and so increase the pool of funds available for productive new investments.²⁴

3) Reduce taxes on business investment by indexing depreciation schedules for inflation.

In most industrialized countries, firms effectively are allowed to deduct the full cost of new plant and equipment from their taxable profits, much like any other business expenses. In the U.S., however, arcane depreciation schedules force firms to wait many years for tax relief on major investments of new plant and equipment. Indexing depre-

23 For a complete discussion of measures needed to boost savings and investment in the U.S. economy, see Daniel J. Mitchell, "A Tax Reduction Strategy to Spur Economic Growth," in Hodge, *op. cit.*

24 For an elaboration of the IRA proposal, see *ibid.*

ciation schedules for inflation, which would give firms more “up front” tax relief for investments, would be an important first step toward achieving a fairer tax treatment of investments, and thereby boosting new investment.

Because these tax changes would improve productivity and thereby raise the wages of parents and other workers, they are profoundly pro-family. If, by making such reforms, the U.S. can restore productivity increases and wage growth to the rates enjoyed in the 1950s and 1960s, the average parent could expect real hourly wages to grow by nearly 50 percent in the next decade. This is crucial to relieving the financial pressures on today’s beleaguered families.²⁵

HOW TO PAY FOR FAMILY TAX RELIEF

Several proposals on Capitol Hill to relieve taxes on families with children, such as those sponsored by Senator Gore, Representative Downey, and Senator Bentsen, would cut taxes modestly for middle-class families but would couple these tax cuts with increases on higher-income families. The trouble is that these tax increases would slow investment, which in turn would slow the growth of economic productivity and hence slow real wage growth for the average American. The result: What families would gain by tax relief they would lose in the slower growth of real wages. Thus tax proposals like the Gore-Downey plan and the Bentsen plan actually would hurt American families.

The proper way to provide for family tax reduction is not to increase taxes on other Americans. Raising taxes on one group to cut the tax burden on another would do nothing to improve productivity in the economy and likely would reduce it. The way to pay for tax cuts for families is to restrain the growth of federal non-defense spending, which has grown faster than the rest of the economy for the last three decades. If a cap of five percent per annum were placed on the growth of total federal domestic spending, the resultant “waste dividend” would be sufficient to finance most of the family and growth tax package outlined above.²⁶ Under such a plan the family tax credits outlined above could be phased in over a four-year period. In each year during the phase-in the tax revenue loss from the proposed credits would be matched, dollar for dollar, by spending reductions under the five percent spending growth cap. The value of the family tax credits would be increased each year and would reach their full value of \$1,000 for a school-age child and \$1,500 for a pre-school child in 1996. In that year the revenue loss from the proposed new tax credits for children would be around \$55 billion per annum. A five percent spending cap first instituted in fiscal 1993 would result in a corresponding domestic spending reduction in 1996 of some \$46 billion. Up to an additional \$10 billion per annum could be obtained through extra cuts in the de-

25 Many experts believe that reducing the tax rates on savings and investment would so stimulate economic growth that they would cause an increase in overall federal tax revenues. Thus, according to these analysts, tax cuts on investments and savings would help reduce the federal deficit. However, for purposes of this study, it is assumed that tax cuts on savings and investment would increase economic growth but would neither increase nor decrease federal tax revenue, thus they would have no impact on the federal deficit. See *ibid.*, p. 32.

26 For a detailed analysis of how a five percent cap would fund the proposed tax relief, see Hodge, *op. cit.*

fense budget. Under the existing budget agreement, defense spending already is scheduled to be cut some 20 percent in real terms over the next five years. Thus under the spending cap plan, each dollar of family tax relief would be matched by one dollar of reduced non-defense and defense spending. The proposed family tax credits hence would not cause any increase in the federal deficit; the deficit would continue to shrink, and at current projected rates would be cut in half by 1996.

PRO-FAMILY WELFARE REFORM

The current welfare system is anti-family. In fact, the system has made marriage economically irrational for most low-income parents. Welfare has transformed marriage from a legal and social institution designed to protect and nurture children into an institution which imposes financial penalties on nearly all married low-income parents. The current welfare system, in fact, has all but destroyed family structure in the inner city. The problem is that welfare creates strong financial disincentives that effectively block 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 father abandons his responsibilities to the mother and child various levels of 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 in a typical state will reach around \$13,000 per year.²⁷ If, on the other hand, the young man does what society believes is morally correct—that is, marries the mother and takes a job to support the family—government policy takes the opposite course. Welfare benefits will almost be completely eliminated. If the young father makes more than \$4.50 per hour, the federal government actually begins taking away his income through taxes.

To be sure, the Family Support Act of 1988 permits a family to continue receiving welfare if the father marries the mother and stays with the family—but only as long as he does not work. Once he takes a full-time job to support his family, the welfare benefits quickly are eliminated and the father's earnings become subject to taxation.

27 This figure represents the average value of combined welfare benefits for a single mother with two children enrolled in the Aid to Families with Dependent Children program in the average state. Benefits which the family could receive under the following programs are included in the calculation: Food Stamps, Medicaid, the Women, Infants, and Children food program, Low-Income Energy Assistance, Public Housing, Section 8 Housing, School Lunch Program, School Breakfast Program, Summer Food Program, and the Temporary Emergency Food Assistance Program. The calculation does not assume that the average AFDC family receives benefits from all these programs, but is based on the actual probability of AFDC families also participating in these extra programs. For example, if the cost of public housing subsidies is \$5,000 per unit and 25 percent of AFDC families receive public housing subsidies, then the average value of public housing subsidies for AFDC families in general would be \$1,250. This procedure provides an accurate calculation of the average value of welfare benefits from different programs received by AFDC families of a given size within each state. Of course, many AFDC families within a given state will have welfare benefits above or below the average in that state, depending on the number of extra welfare programs they participate in.

Current welfare thus may best be conceptualized as a system which offers each single mother an annual "paycheck" worth an average of between \$8,500 and \$15,000, depending on the state. The mother has a contract with the government; she will continue to receive her "paycheck" as long as she fulfills two conditions:

Condition #1: She must not work; and

Condition #2: She must not marry an employed male.²⁸

Low-income parents have responded quite logically to these destructive incentives of the welfare system. Single mothers on welfare in the inner city typically drift through a series of "common law marriages" with different males. While allowing the household to comply with the letter of the welfare law, these relationships lack the social, legal, and financial incentives which help to cement middle-class families and so strong, permanent two-parent families seldom emerge.

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, and they are more likely to commit suicide as teenagers.²⁹ Absence of a father also increases the probability that a child will use drugs and engage in criminal activity.³⁰ Seventy percent of the juveniles now in state reform institutions grew up in single-parent homes or no-parent homes.³¹

And 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 in single-parent homes and those raised in intact homes are profound, and such differences persist even if single-parent households are compared with two-parent households of exactly the same income level and educational attainment.³²

But the greatest tragedy is that children from fragmented homes, when grown to adulthood, tend to pass problems on to their own children. Weakened in their own development, children from single-parent homes are markedly less likely to be able to establish a stable married life when they become adults. Studies show, for instance, that young white women raised in single-parent families are 164 percent more likely to bear children out of wedlock themselves, and 111 percent more likely to have children

28 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.

29 Dr. Deborah A. Dawson, "Family Structure and Children's Health and Well-being: Data From the 1998 National Health Interview Survey on Child Health," paper presented at the annual meeting of the Population Association of America, Toronto, May 1990, Table 5.

30 Nicholas Davidson, "The Daddy Dearth," *Policy Review*, Winter 1990, p. 43.

31 Cited by Karl Zinsmeister in *Left and Right: The Emergence of a New Politics in the 1990s?* (Washington, D.C.: The Heritage Foundation and the Progressive Foundation, 1992), p. 27.

32 Dawson, *op. cit.* Davidson, *op. cit.*

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.³³ Similar effects are found in black families. Being raised in a single-parent family also triples the probability that a child will become a welfare recipient as an adult.³⁴ Family instability and its attendant problems thus are passed on to future generations.

While many social and political changes are needed to reverse this instability, one of the most urgent is a major change in the perverse incentives of the welfare system. In particular, incentives from existing programs which promote single parenthood and prolonged dependency must be eliminated or at least reduced. Conversely, new policies must be devised which will promote self-sufficiency and encourage the formation of two-parent families.

What is not needed is policies along the line of those recommended by the National Commission on Children chaired by Senator John D. Rockefeller, the West Virginia Democrat.³⁵ Although the Rockefeller Commission, which released its report in 1991, trumpeted a strong rhetorical commitment to the principle that two-parent families are best and should be encouraged by government policy, its policy recommendations contradict its own rhetoric. By increasing the economic rewards provided to non-working single mothers relative to working two-parent families, the Commission proposals, like the similar proposals introduced as legislation by New York Democrat Representative Tom Downey (H.R. 3603), would repeat and intensify every mistake of the existing welfare system.

WELFARE REFORMS TO PROMOTE STRONG FAMILIES AND SELF-SUFFICIENCY

There is, fortunately, an emerging consensus among Americans that the welfare system has undermined the family and harmed those it was intended to benefit. Lawmakers at the federal and state level should build on this consensus and work together to develop a pro-family welfare strategy which would reform the welfare incentive system by increasing the rewards for work and marriage while decreasing the current rewards to non-work and single parenthood. Among the necessary components of this new strategy:

✕ Give tax relief to low-income working families.

Few Americans realize that a father working to support a wife and two children and earning as little as \$16,000 per year actually pays around \$2,000 to the federal government in taxes. The simplest way to increase the rewards to marriage and work relative to welfare is to reduce the tax burden on low-income working families. The family tax

33 Irwin Garfinkel and Sara S. McLanahan, *Single Mothers and Their Children: A New American Dilemma* (Washington, D.C.: The Urban Institute Press, 1988) p. 31.

34 *Ibid.*

35 National Commission on Children, *Beyond Rhetoric: A New American Agenda for Children and Families* (Washington, D.C.: U.S. Government Printing Office, 1991).

plan outlined earlier in this study would do this by providing families with a non-refundable tax credit of \$1,000 for each school age child and \$1,500 for each pre-school child. This would eliminate federal taxes on families earning less than 120 percent of the federal poverty income threshold, which was \$12,675 for a family of four in 1991. By raising the real earning power of lower-skilled men, this tax reduction would encourage marriage and foster the formation of two-parent families, as well as helping single mothers to work their way off welfare.

X Give vouchers to all low-income families not on welfare for the purchase of medical insurance.

The current welfare system provides free medical coverage through the Medicaid program to single parents and non-working two-parent families on AFDC, but the government provides little or no assistance to low-income working families to help buy coverage. This discourages work because a welfare mother considering a low-income job in a small firm—which typically will not include a health benefits plan—faces the loss of thousands of dollars worth of medical benefits. It also discourages marriage because a welfare mother marrying a man in a low-wage job in a firm without family medical benefits will again lose medical coverage. The federal government could reduce the anti-work and anti-marriage effects of welfare by enacting the comprehensive medical reform proposed by The Heritage Foundation, known as the Consumer Choice Health Plan.³⁶ Among other reforms, this plan would provide federal tax credits and vouchers for the purchase of medical insurance to low-income working families not eligible for Medicaid. A proposal with some similarities to the Heritage plan recently has been introduced by President Bush. Under the Bush plan, poor families would receive a voucher worth as much as \$3,750 each year for the purchase of medical coverage.

X Reduce the welfare benefits for single mothers enrolled in the AFDC program.

The higher welfare benefits are, the greater the disincentives to work and marriage. Recipients of Aid to Families with Dependent Children (AFDC) are eligible for benefits from nearly a dozen major welfare program. These include Food Stamps, Medicaid, Public Housing, Low-Income Energy Assistance, and the Women, Infants, and Children food program. In all but five states, the combined value of benefits received by the average AFDC family actually exceeds the federal poverty income threshold. Welfare benefits for families on AFDC should be reduced, particularly in states in which the average value of benefits is well above the poverty level. This would discourage households from staying on welfare because it is comparatively attractive, and yet would not impose actual hardship.

36 For a description of the plan, see Stuart Butler, "A Policy Maker's Guide to the Health Care Crisis, Part II: The Heritage Consumer Choice Health Plan," Heritage Foundation *Talking Points*, March 5, 1991.

- X Require mothers who do not have children under age five, or who have received AFDC for over five years, to perform full-time community service in exchange for benefits.**

The work requirement should not be temporary. Recipients subject to it should be required to perform a community service as long as they receive welfare benefits. Requiring a welfare recipient to work in exchange for benefits greatly reduces the attractiveness of welfare relative to private sector employment. Work requirements thus discourage dependence and encourage efforts toward self-support. A work requirement also eliminates many of welfare's anti-marriage incentives. Example: Under the current welfare system, if a welfare mother marries a fully employed man she will lose some \$10,000 to \$13,000 in welfare benefits. Under a welfare system with a work requirement, the welfare mother still loses benefits upon marrying, but she will be losing benefits for which she must work rather than losing a free income. Hence, the practical loss will be far less significant. Indeed, as long as the welfare mother can obtain a private sector job which pays roughly as much as her previous welfare benefits, then the financial penalty on marriage would be eliminated entirely.

Most mothers with pre-school children would be exempt from this work requirement. Because of the high costs of providing day care, work requirements for mothers with pre-school children almost certainly would increase rather than cut welfare costs. Moreover, great caution should be exercised toward any policy which separates young children from their mothers as this will often have a significant detrimental effect on the child's development. Thus a well-designed work program generally would not include mothers with young children. However, a second rule requiring work by all mothers who have received AFDC payments for over five years, either continuously or in separate periods, is needed to discourage mothers from intentionally having more children to avoid an obligation to work.

If a work requirement of this kind were established, roughly 50 percent of AFDC mothers would be required to work as a condition of receiving benefits. This would be an enormous improvement from the present situation; in the average state only 6 percent of AFDC mothers currently participate in job search, work, or training programs.

- X Experiment with "wedfare" programs.**

Several states, including Wisconsin, are considering so-called Wedfare programs which would give cash bonuses to AFDC mothers who marry, leave AFDC, and remain off the welfare rolls. Example: A welfare mother might be given a payment of \$2,000 if she married and remained off the welfare rolls for at least two years. However, since the real effects of wedfare programs are uncertain, state governments should introduce such programs on an experimental basis and rigorously evaluate them through controlled experiments.³⁷

37 New Jersey has also enacted a variant of wedfare. A wedfare program would probably be most effective if restricted to mothers who are likely to be long-term welfare dependents such as never married mothers who have been on AFDC over two years.

CONCLUSION

America's often disparaged traditional two-parent family is the principal social institution by which the work ethic, self discipline, intellectual motivation, and moral character are passed on to the next generation. The American family is the foundation of American society. When the family is weakened, the nation is weakened.

But the American family is in deep trouble. A crushing tax burden is making it increasingly difficult for middle class families to support themselves. Excessive taxes on savings and investment have eroded the American Dream, reducing the real growth of parent's wages to a fraction of what could be expected in earlier generations. And the ever-growing welfare system has replaced the husband as the principal breadwinner for a growing number of low-income mothers and children.

What families need from government is not new spending and new social programs. Those have done little or nothing to help families, and paying for them has added to the tax burden on us all. What families really need is threefold. First, for government to allow them to keep a greater share of their own hard-earned money. Second, for government to cut taxes on investment and savings in order to stimulate productivity growth and to raise real wages throughout the economy. Third, a reform of the welfare system to promote rather than penalize the formation of self-sufficient, two-parent families. These policies are needed urgently if America is to restore its bedrock social institution.

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STRATEGIES FOR WELFARE REFORM

TESTIMONY BEFORE THE DOMESTIC TASK FORCE
OF THE SELECT COMMITTEE ON HUNGER
U.S. HOUSE OF REPRESENTATIVES

APRIL 9, 1992

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INTRODUCTION

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. In states across the nation we see welfare reforms focused on three themes: requiring responsible behavior from welfare recipients as a condition of receiving benefits; requiring some able-bodied welfare recipients to work in exchange for the benefits they receive; and finally altering the welfare incentive structure by reducing the current rewards for non-work and single parenthood and increasing the relative rewards for work and marriage.

TWO TYPES OF POVERTY

The welfare system is intended to address the problem of poverty in the U.S. Welfare reform must 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 \$12,675 for a family of four in 1991. To the average man on the street, to say someone is poor implies that he is malnourished, poorly clothed, and lives

in filthy, dilapidated and overcrowded housing. In reality there is little material poverty in the U.S. in the sense generally understood by the public.¹

Today the fifth of the population with the lowest incomes have a level of economic consumption higher than that of the median American family in 1955.² 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.³ Children living in "poverty" today, far from being malnourished, actually grow up to be one inch taller and 10 pounds heavier than the average child of the same age in the general population in the late 1950s.⁴ The principal nutrition-related problem facing poor persons in the U.S. today is obesity not "hunger"; the poor are more likely to be obese than are other persons in the U.S.

Similarly, "poor" Americans have more housing space and are less likely to be overcrowded than is the average citizen in Western Europe.⁵ Nearly all of the American poor live in decent housing that is well-maintained. In fact, nearly forty percent of the households defined as "poor" by the U.S. government actually own their own homes.

"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. Behavioral poverty is 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, crime, and drug and alcohol abuse. While there may be little material poverty in the United States, behavioral poverty is abundant and growing.

COMPETING APPROACHES TO WELFARE

There are three distinct approaches to dealing with the inter-related problems of material poverty and behavioral poverty.

- 1) The first approach, which could be called "liberal", maintains that decreasing material poverty leads to decreasing behavioral poverty. Thus raising the incomes of the poor through cash, food aid and housing assistance will cause an increase in emotional stability, educational success, etc.

- 2) The second approach, which could be called "redistributionist", recognizes no clear link between raising incomes and reducing behavioral problems, but promotes welfare expansion to raise the incomes of the less affluent its own sake. This approach focuses initially on

dealing with vital needs such as eliminating malnutrition but its aims are open-ended; welfare spending is already more than twice the amount needed to eliminate all poverty in the U.S. but demands for more spending are as vociferous as ever. Many advocates of this position believe strongly that income redistribution is a positive goal, per se, and seek to use welfare policy as a means of attaining that goal. The more income redistributed the better.

3) The third approach might be termed "conservative". It rests on the belief that spending through most welfare programs has actually increased behavioral poverty. In particular, welfare has led to an increase in prolonged dependency and has undermined family structure, thereby contributing to increases in other dysfunctional behaviors.

The assumptions behind the first or liberal approach to welfare policy are decisively refuted by historical experience. Throughout most of the twentieth century the incomes of Americans of all social classes have increased dramatically. As noted, after adjusting for inflation, the per capita economic consumption of the least affluent 20 percent of households today exceeds the per capita income of the median income U.S. family in 1955. In 1950, thirty two percent of Americans were "poor" having incomes below today's poverty income thresholds adjusted for inflation -- in 1990 the thirteen and a half percent of the population was poor. Going back farther in time, we find that in

the late 1920s the median income of American households was \$1606 (or \$11,000 in 1990 dollars); in that year half of the population was probably poor by today's standards.⁶ According to the axioms of liberal welfare policy, as incomes in all social classes rose dramatically throughout the century, we should have seen increases in cognitive ability, increases in emotional stability, increases in marital stability, and decreases in crime.⁷ Instead we have seen the opposite.

The fact is that most people alive today had at least one parent or grandparent who was "poor" by the current government definition adjusted for inflation. But most of these individuals were not poor in sense understood by the general public because, although their incomes were low -- their values, disciplines and behavior were middle class -- as were the values they passed on to their children. Merely raising someone's income does not inculcate middle class values and behavior; in fact most welfare programs do exactly the opposite.⁸

THE KEY WELFARE PROBLEM

Following the liberal and redistributionist approaches to welfare, the present welfare system is designed almost exclusively to raise the material living standards of less affluent Americans. The federal government provides cash, food, housing and medical assistance and other benefits through 75

separate welfare programs. Total federal, state, and local welfare spending reached \$225 billion in 1990 excluding all middle class entitlement programs such as Social Security and Medicare. This figure was more than twice the amount needed to raise the income of every American above the current poverty income thresholds.

But for the general public the real problem with welfare is not merely the rapidly expanding cost, which now absorbs over 4 percent of the entire national economy -- but the sense that welfare actually harms rather than helps the poor.

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.

HOW WELFARE UNDERMINES WORK AND MARRIAGE

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.⁹ 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.¹⁰

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.

Across the nation, the current welfare system has all but destroyed family structure in the inner-city. Welfare establishes strong financial disincentives, 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 will permit the young father to marry the mother and join the family to receive welfare, but only as long as he does not work.¹¹ 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 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.¹²

Generous welfare benefits to single mothers directly contributed to the rise in illegitimate births. Recent research

by Shelley Lundberg and Robert D. Plotnick of the University of Washington shows that an increase of roughly \$200 per month in welfare benefits per family causes the teenage illegitimate birth rate in a state to increase by 150 percent.¹³ 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. Welfare programs discourage young men and women from marrying and promote the disintegration of existing two-parent families.

Penalizing Work For the poor, another devastating legacy of the past 25 years has been the dramatic reduction in work effort. For a growing number of poor Americans, the existence of generous welfare programs makes not working a reasonable alternative to long-term employment. During the late 1960s and early 1970s, social scientists at the Office of Economic Opportunity (OEO) conducted a series of controlled experiments to examine the effect of welfare benefits on work effort. 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."

Advocates of expanding welfare had hoped that SIME/DIME and similar experiments conducted in other cities would prove that generous welfare benefits did not adversely affect work effort.

Instead, the SIME/DIME experiment found that every \$1.00 of extra welfare given to low income persons reduced labor and earnings by \$0.80.¹⁴ The results of the SIME/DIME study are directly applicable to existing welfare programs: nearly all have strong anti-work effect like those demonstrated in the SIME/DIME experiment.

The effects of welfare in undermining the work ethic are readily apparent. In the mid-1950s nearly one-third of poor households were headed by an adult who worked full time throughout the year. Today, with greater welfare benefits available, only 16.4 percent of poor families are headed by a full time working adult.

Inter-Generational Dependence Of the over 4 million families currently receiving assistance through Aid to Families with Dependant Children (AFDC), well over half will remain dependant for over ten years; many for fifteen years or longer.¹⁵ Dependency 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 to be on welfare than other children when they become adults.¹⁶ 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.

Effects of Family Disintegration The collapse of family structure 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.¹⁷ And they are more likely to commit suicide as teenagers. Absence of a father increases the probability that a child will use drugs and engage in criminal activity.¹⁸

Because the father plays a key role in a child's cognitive development, children in single parent families have lower IQ's and score more poorly on other tests of aptitude and achievement.¹⁹ Children in single parent families are three times as likely to fail and repeat a year in grade school as are children in two parent families. In all respects, the differences between children raised in single parent and those raised in intact homes are profound, and such differences persist even if single parent homes are compared to two parent homes of exactly the same income level and educational standing.²⁰

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 be able 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.²¹

GROPING FOR A SOLUTION

By nature, Americans believe that all problems have solutions. Therefore, American politicians and the public have difficulty believing that there are no easy solutions to the anti-marriage, anti-work incentives provided by the current welfare system. But there are no easy solutions.

In the current public debate there are a number of quick fixes to welfare which fall short of the true reform -- the most common of these is the current liberal drive to encourage work and reduce dependency by "making work pay". Under these proposals, the key to welfare reform is ensure that all single mothers will be financially better off in the job market than on welfare. While a step in the right direction, there are two problems with this idea. First, the average welfare mother receives around \$11,000 per year in welfare benefits plus Medicaid. Thus the mother must obtain a job with medical coverage paying more than \$11,000 per year (or \$5.50 per hour) in

order to be even slightly better off with a job than on welfare. Second, even if every mother could be guaranteed of obtaining a job with medical coverage paying say \$7.00 per hour, the financial incentives for taking a job would remain slight. Example: if a mother gives up welfare benefits worth \$11,000 per year plus Medicaid and takes a full time job with medical coverage paying \$14,000 per year (or \$7.00 per hour), she obtains an annual post-tax income increase of about \$2,500 in exchange for working 2,000 hours during the course of the year. This is an effective pay rate of \$1.25 per hour. The AFDC mother is expected to make a very large increase in labor for very little if any financial reward.

A similar recommendation is to reduce the disincentives to marriage by raising the earnings capacity of low-income fathers. While this would be another step in the right direction, it would not eliminate the anti-marriage effects of conventional welfare. Even if the earnings capacity of all low-income fathers were raised to the point where every working father could provide a standard of living for his family higher than the standard of living welfare provides to single mothers -- low-income mothers and fathers would still be better off financially if they avoided marriage.

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. If they do marry

their joint income equals the father's earnings alone. Another way of expressing this dilemma is that the welfare system imposes an extra-ordinarily 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 benefits) 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.

PRINCIPLES OF REAL REFORM

There is an emerging consensus on the need to change the welfare incentive structure. However, many current proposals fall short because they are limited to adding small new rewards for constructive behavior on top of the present welfare system while ignoring the huge rewards for idleness and single parenthood already embedded in that system. Serious welfare reform must not only provide new incentives for positive behavior it must also reduce the huge rewards to destructive behavior that exist in the current system.

Welfare reformers have four basic tools available to restructure the welfare incentive system. The first two reduce the rewards provided for non-work and single parenthood, while the third and fourth increase the rewards for marriage and work. The four policy tools are:

1) Reduce welfare benefits to non-working single mothers; this particularly important in states where the combined value of welfare benefits for the average AFDC family greatly exceeds the federal poverty income thresholds.

2) Require able-bodied welfare recipients to work or perform community service in exchange for benefits received.

3) Increase the financial rewards available to low income working families, both married and single, relative to the rewards to non-working parents on welfare by providing tax relief to low income working families.

4) Increase the financial rewards available to low income working families, both married and single, relative to the rewards to non-working parents on welfare and by providing tax credits and vouchers for medical insurance to working families who currently lack medical coverage.

Of these four tools for reforming the welfare incentive system, the work requirement is the most important. Under the current welfare system a non-working single mother receives an income from the government for free; if she becomes employed she must give up all or part of this free income. However, if the welfare recipient is required to work in exchange for benefits, a new cost is attached to welfare dependence and the

attractiveness of welfare relative to employment is greatly reduced. Indeed if the work requirement can be coupled with other government policies which ensure the family will be somewhat better off financially when the mother is employed than when the family is on welfare then the anti-work incentives of welfare would be utterly eliminated. However, as long as the welfare recipient has the option of receiving a sizeable income from the government without work then it will be impossible through other means to reduce significantly welfare's anti-work incentives.

Surprisingly, a work requirement also eliminates 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.

While few states have attempted to establish serious work requirements for AFDC parents, those experimental programs which do exist indicate that work requirements can have a significant impact in reducing welfare dependency. As part of a workfare program operated on an experimental basis in six Ohio counties, AFDC mothers were required to perform community service for twenty hours per week. While only 25 percent of all AFDC mothers were required to participate, the work program reduced overall number of families on AFDC by some 12 percent. In other words, for every 100 mothers that were required to work in exchange for benefits, over 40 mothers left welfare entirely.²²

While a serious work requirement will change the welfare incentive structure and reduce dependency, it is also vital for other reasons. Society should provide aid to those in need. But 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 capacity to become a fully functioning member of mainstream society.

Welfare is currently a check in the mail with no obligations. This is wrong. Instead, welfare should be based on

reciprocal responsibility: society will provide assistance, but able-bodied recipients should be expected to contribute back to society in exchange for the benefits they receive.

TOWARDS COMPREHENSIVE WELFARE REFORM

What is needed is a comprehensive welfare reform strategy. Many elements of comprehensive reform can occur at the state level; however, state actions should be complemented by tax relief and an overhaul of the U.S. medical system at the federal level. Although tax policy and medical reform are formally outside the welfare system, reforms in these areas will have a significant impact on the opportunities and behavior of low income families, and therefore are an important part on any welfare reform strategy.

Comprehensive welfare reform must keep a balance between two key themes. First, it must seek to increase the rewards for work and marriage among low income families. Second, it must reduce the rewards currently provided by welfare for non-work and single parenthood. Reforms which fail to follow this balanced approach will be unsuccessful. Comprehensive reform would have 7 parts:

- 1) Reduce Benefits Welfare benefits for families on AFDC should be reduced. This is particularly the case in states with high benefits levels. AFDC recipients are eligible for benefits

from nearly one dozen major welfare programs. In all but five states, the combined value of benefits received by the average AFDC family exceeds the federal poverty income threshold. Moreover, there is considerable inequality in welfare benefit levels within each state. Because some families receive aid from many programs, they will have overall benefits much greater than other welfare families of the same size and characteristics within the state. Example: AFDC families which also receive housing aid will have overall benefits some \$4,000 to \$5,000 higher than other AFDC families within the state. In almost every state such families will have combined welfare benefits well above the poverty threshold. States should reduce AFDC payments to families who also receive housing aid.

2) Work Requirements States should require some but not all welfare recipients to work in exchange for benefits received. Recipients of Food Stamps and General Assistance, who are not elderly and not disabled, and who are not directly caring for children, should be required to perform community service for at least 20 hours per week.²³ 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 would be required to work. For all programs the work requirement should be permanent, lasting as long as the individual or family receives benefits.

This policy specifically exempts most mothers with pre-school children from the work requirement. Because of the high costs of providing daycare, work requirements for mothers with pre-school children will almost certainly increase rather than cut welfare costs. Moreover, great caution should be exercised toward any policy which separates young children from their mothers as this will often have a significant negative effect on the child's development. Thus a well designed work program would generally not include mothers with young children; however, a second rule requiring work from mothers who have received AFDC payments for over five years, either continuously or in separate periods, is needed to discourage mothers from intentionally having added children to avoid their work obligation.

If a work requirement of the sort outlined here were established roughly 50 percent of AFDC mothers would be required to work as a condition of receiving benefits. This would be an enormous improvement from the present situation; in the average state only 6% of AFDC mothers currently participate in job search, work, or training programs.

3) Require Responsible Behavior States should require responsible behavior as a condition of receiving welfare benefits. This would include a policies such as insisting that unmarried minor mothers reside with their parents or in some other adult supervised setting, and reducing payments to mothers

who fail to provide their children with free immunizations. Most importantly, mothers who bear additional children while they are already receiving welfare should not receive an increase in welfare benefits.

4) Enforce Education Requirements States should rigorously enforce the current federal law requiring all AFDC mothers under age 18 who have not completed high school or passed a GED to attend school. However, in order to avoid the negative affects of separating infants from their mothers, mothers with infant children should not be required to participate more than 20 hours per week.

5) Experiment with Wedfare More mothers leave AFDC through marriage than through employment. States should experiment with "wedfare" programs which provide bonuses to AFDC mothers who marry, leave AFDC and remain off the welfare rolls. However, since the real effects of Wedfare programs are uncertain any such program should be rigorously evaluated through controlled experiments.

6) 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 two parent families 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 in A National Health System for America.²⁴ This plan would provide federal tax credits and vouchers for the purchase of medical insurance to low income working families not eligible for Medicaid. A proposal similar to the Heritage plan recently been introduced by President Bush.

7) Provide Tax Relief to All Families with Children The federal government currently imposes heavy taxes on low income working families with children. A family of four making \$20,000 a year currently pays \$3,780 in federal taxes.²⁵ 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 along the lines proposed in the Heritage Foundation's A Prosperity Plan for America: How to Strengthen Family Finances, Revive the Economy, and Balance the Budget.²⁶ This plan would provide a \$1000 tax credit for each school age child in a family and a \$1500 tax credit for each pre-school child; the tax credits could be used to reduce the family's income tax liability and both the employee and employer share of the Social Security payroll tax. The effect of this plan would be to eliminate all federal taxes on working families with children with incomes below 120 percent of the poverty threshold. The revenue loss of these tax credits would be offset by corresponding spending constraint through capping the growth of total federal domestic spending at 5 percent per annum.

Thus the plan would not add to the federal deficit.

CONCLUSION

Any attempt to reform the current structure of public welfare must begin with a realization that most programs designed to alleviate "material" poverty lead to an increase in "behavioral" poverty. While the poor were supposed to be the beneficiaries of War on Poverty's transfer programs, they instead have become its victims. If policy makers ignore or fail to recognize 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 refusal to reward negative behavior with positive rewards for constructive behavior. Reforms which fail to include both sides of this equation will not succeed.

Notes

1. Robert Rector, "How the Poor Really Live: Lessons for Welfare Reform", Heritage Foundation Backgrounder, No. 875, January 31, 1992
2. Robert Rector, Kate Walsh O'Beirne, and Mike McLaughlin, "How Poor are America's Poor?", Heritage Foundation Backgrounder, No. 791, September 21, 1990, p.2
3. 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.
4. 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.
5. Rector, "How the Poor Really Live", op. cit., pp. 12-13.
6. In the late 1920s an average size household with an income at the national median would have had an income below today's poverty threshold measured in constant dollars.
7. In one limited respect, higher income did lead to an increase in the average number of years of school attendance throughout the century. In earlier periods, many young people left school to obtain employment and help support their families. Thus in the past we could expect that an increase in family income would increase average number of years of schooling attained by a child. However, at the present time leaving school to obtain employment to support one's family is scarcely a major cause of the school drop out problem.
8. The belief that raising incomes reduces behavioral poverty is not grounded in historical reality but is instead based on superficial and misleading statistical analyses. In many studies "family income" is correlated or regressed against behavioral variables; the analysis then shows that school failure, for example, is more likely among children in families with average incomes of \$15,000 than in families with incomes of \$25,000 of similar family type and educational standing. The study then concludes that if we give the lower income families an extra

\$10,000 in income we can expect the average school performance of the lower income children to increase to the same level as that of the higher income children. This is spurious reasoning. Income correlates closely with other psychological variables such as parent's family background, self control, motivation, and cognitive and interpersonal skills. These psychological variables will generally not be quantified and included in the regression analysis, but it is these non-measured psychological variables which cause the higher average school performance or higher behavioral stability among children in higher income families, not the bigger monthly paycheck.

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

10. 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.

11. The 1988 federal welfare law required all states to establish an AFDC-UP program by October 1, 1990. Prior to passage of the 1988 welfare law, 23 states did not have an AFDC-UP program and those states were allowed to limit AFDC-UP cash benefits to six months, but were required to continue to provide Medicaid as long as the family was otherwise eligible for AFDC. The 1988 law allowed states to require full-time participation by one parent in Job Opportunities and Basic Skills (JOBS) program, while mandating that the states require one parent to spend at least 16 hours per week in work activity. States must enroll at least 40 percent of their AFDC-UP caseload in work programs by fiscal 1994 and up to 75 percent by fiscal 1997 and 1998. Both the requirement for AFDC-Up coverage and the work requirement end September 30, 1998.

12. 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.

13. 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 in Toronto, Canada.

14. Gregory B. Christiansen and Walter E. Williams, "Welfare Family Cohesiveness and Out of Wedlock Births," in Joseph Peden and Fred Glahe, The American Family and the State, (San Francisco: Pacific Institute for Public Policy Research, 1986), p. 398.
15. David Elwood, Targeting "Would-be" Long-term Recipients of AFDC, (Washington, D.C.: U.S. Department of Health and Human Services, January 1986), p.5.
16. M. Anne Hill and June O'Niell, Underclass Behaviors in the United States: Measurement and Analysis of Determinants, (New York: City University of New York, Baruch College, March 1990).
17. 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.
18. Nicholas Davidson, "The Daddy Dearth", Policy Review, Winter 1990, p.43.
19. Marybeth Shinn, "Father Absence and Children's Cognitive Development", Psychological Bulletin, Vol. 85, No. 2, 1978. pp. 295-324.
20. Dawson, op. cit., Davidson, op. cit.
21. 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.
22. Bradley R. Schiller and C. Nielsen Brasher, "The Effects of Saturation workfare on AFDC Caseloads", November 1991, unpublished paper.
23. Requiring someone to perform community service means that they would perform useful functions in government or in non-profit private sector organizations. Community service is also called "work experience". Many legislators argue that they would like to require welfare recipients to work in for profit private sector jobs, but this expectation is unrealistic because few private sector employers are willing to employ persons who literally have to be forced to work. However, requiring the recipient to perform community service with a government organization removes the recipient's option of receiving welfare income without labor. The work requirement makes welfare less attractive relative to employment and will thereby induce many recipients to take real private sector jobs.

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

25. Figures are for 1991.

26. Scott A. Hodge, ed., A Prosperity Plan for America: How to Strengthen Family Finances, Revive the Economy and Balance the Budget, (Washington, D.C.: The Heritage Foundation, 1992)

A CONSERVATIVE'S GUIDE TO STATE LEVEL WELFARE REFORM

By Robert Rector and Mike McLaughlin

DRAFT CHAPTER
OF A *CONSERVATIVE AGENDA FOR THE STATES*
BY THE TEXAS PUBLIC POLICY FOUNDATION

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Introduction

Nearly three decades have passed since President Johnson launched his “unconditional war on poverty in America.” Despite the enormous financial and political resources which have been committed, Americans of nearly every ideological persuasion agree that the war was lost. A growing number of liberals and conservatives, in fact, agree that not only was the war lost, but in many important respects the condition of the poor today is worse than it was before the war began. When a majority of today’s welfare programs were created, the problems facing the poor allegedly were lack of money and lack of opportunity. Given opportunity and enough resources, it was believed, a majority of the poor would move out of poverty and into self-sufficiency.

The problems facing the poor today, however, have less to do with low material living standards and more to do with the collapse of social norms and ethics which form the foundation of civilized life. Government programs have had no success in addressing problems like soaring illegitimate birth rates, inter-generational welfare dependency and reduced work effort. Growing evidence shows that most government welfare programs designed to alleviate material poverty have created a culture of self-destructive behavior among the poor. The problem today is not a lack of government spending on welfare programs; welfare spending is currently at an all-time high. The problem is that most, if not all, welfare programs contribute to a tangled social pathology of out-of-wedlock births, family disintegration, lack of work ethic, and long-term government dependence. Welfare has eroded the essential moral fabric within a large segment of U.S. society.

Washington’s inability to enact meaningful welfare reform in the late 1980s has increased pressure on state lawmakers to handle the problem. Among middle and lower-middle income Americans there is a growing perception that a vast majority of the poor are not “pulling their own weight.” Over 90 percent of the American people believe that able-bodied welfare recipients should be required to perform some work in exchange for assistance.¹

Moreover, as Uncle Sam’s welfare state has stepped in as a surrogate father and breadwinner for millions of children, the traditional family has all but disappeared from some communities. In the eyes of the middle class, welfare has become a one-way handout, which harms rather than helps many of the poor. The combined effect of escalating state budgetary problems and a growing realization that government programs have created more problems than they have solved have improved the prospects for state-level welfare reform.

The Growing Welfare State

Throughout the 1980s, state lawmakers and the American public in general were inundated with media reports of draconian cuts in welfare spending. According to conventional wisdom, tax cuts for the “rich” and the Reagan Administration’s defense buildup were being paid for, in part, by cutting spending for the poor.

¹ Results from a Sindlinger and Company poll conducted for The Heritage Foundation in July 1985.

Contrary to popular belief, however, welfare spending has risen steadily over the past decade and today is at an all-time high. The most comprehensive survey of welfare spending available is conducted by the Library of Congress' non-partisan Congressional Research Service (CRS). The CRS tracks federal, state and local spending on 75 "means-tested" programs, which are programs with benefits limited to persons with low or limited income. The CRS figures include programs targeted to low income persons such as Aid to Families with Dependent Children (AFDC), food stamps, and public housing. By contrast, the CRS does not include transfer programs available to the general population, such as Social Security. The 75 major means-tested welfare programs are listed in Appendix Table A.

According to Congressional Research Service figures, federal means-tested spending in constant, or inflation-adjusted, dollars rose from \$114 billion in 1981 to \$125.5 billion in 1988. State and local welfare spending also rose from \$39 billion in 1981 to \$48 billion in 1988. Total spending rose in constant dollars from \$154 billion to \$173 billion.² An additional \$11.2 billion in Medicare spending on poor persons in 1988 was not included in the CRS total.³ Thus in that year total welfare spending, including the CRS means-tested figures plus Medicare benefits for poor persons, was \$184.2 billion. This is \$5,531 for each poor person in the U.S. Chart 1 shows the growth of welfare in constant dollars from 1975 to 1988.⁴

Moreover—despite claims of draconian cuts in welfare spending during the Reagan years—welfare spending as a share of the whole economy has changed little. Total welfare spending as a percentage of Gross National Product (GNP) is presented in Chart 2. Welfare spending as a share of GNP rose slightly during the recession of the early 1980s and then slowly declined as the recession ended. In 1988, total welfare spending remained at 3.5 percent of GNP, the same level as during the Carter presidency. Overall, welfare spending since the mid-1970s has kept pace with the growth of the economy.

Miscounting the Number of Poor Americans

Every year there is a ritual tearing of hair and gnashing of teeth among the press corps as the federal government announces that millions of Americans are still "living in poverty." The federal government has attempted to count the number of Americans living in "poverty" every year since 1963. In that year, officials in the Social Security Administration at the U.S. Department of Health, Education and Welfare established quasi-official "poverty income thresholds" for different sized families. Families with apparent incomes below these thresholds were considered poor. Each year since 1963 the poverty thresholds have been adjusted for inflation. In 1989 the poverty income threshold for a family of four was \$12,675.

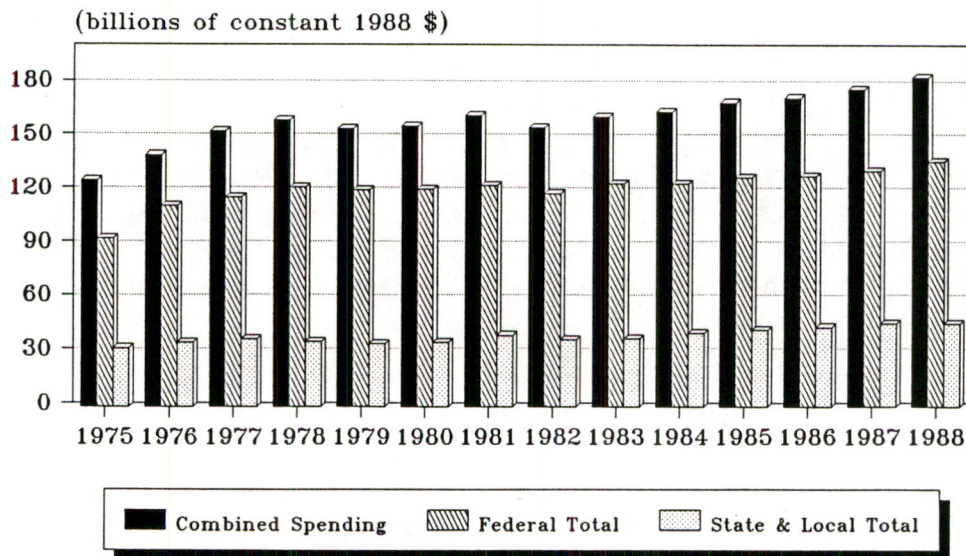
Using these methods, the Census Bureau reported in 1989 that some 31.5 million Americans were living in poverty. It has become increasingly clear, however, that the Census Bureau's official poverty count dramatically underestimates the financial resources available to low-income

2 Vee Burke, *Cash and Non-cash Benefits for Persons with Limited Income: Eligibility Rules, Participant and Recipient Data, FY 1986-88* (Washington, D.C.: Congressional Research Service, The Library of Congress, October 24, 1989).

3 Estimate of percent of total Medicare spending going to the "poor" is based on Congressional Budget Office figures showing that 12.8 percent of Medicare recipients are "poor."

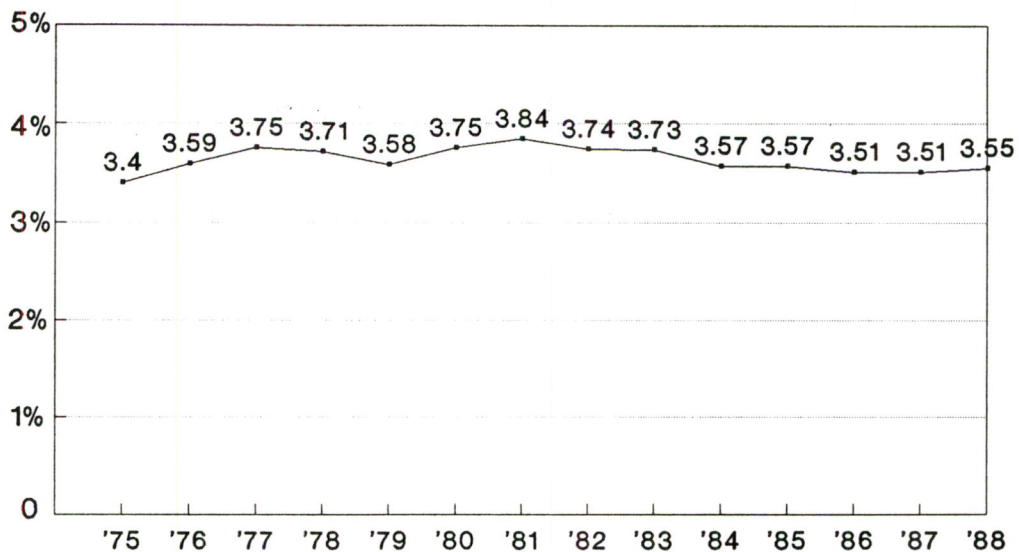
4 The Census Bureau reported in 1988 that there 33.3 million persons who were "poor" before receipt of welfare assistance. These individuals are generally termed the "pre-welfare poor."

Chart 1
Expenditures on Major Welfare Programs



Sources: Vee Burke, *Cash and Non-Cash Benefits for person with Limited Income: Eligibility Rules, Recipient and Expenditure Data FY 86-88*, p.6; *op. cit.*, U.S. House of Representatives, Committee on Ways and Means, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means: 1989 Edition* (Washington, D.C.: U.S. Government Printing Office, 1989), p. 152. Unpublished Congressional Budget Office data.

Chart 2
Total Welfare Spending as a Percentage of Gross National Product



Source: See Chart 1.

Americans. While the Census Bureau counts as "poor" anyone with "cash income" less than the official poverty threshold, it completely disregards assets owned by the "poor," and does not even count much of what, in fact, is income. This is clear from the Census's own data: low income persons spend \$1.94 for every \$1.00 in "income" reported by the Census. If this is true, then the poor somehow are getting an additional \$0.94 in income above every \$1.00 counted by the Census. Indeed, the gap between spending and the Census' estimate of the poor's income has grown larger year after year.

A key reason that the Census undercounts the financial resources of the "poor" is that it ignores most welfare spending when calculating the "incomes" of persons in poverty. Thus, as far as the Census Bureau is concerned, billions of dollars of in-kind benefits to poor Americans have no effect on their standard of living. Of the \$184 billion in welfare spending, the Census counts only \$27 billion as income for poor persons. The bulk of the welfare system, including entire programs that provide non-cash aid to the poor, like food stamps, public housing, Medicaid, school lunch and breakfast programs, and the Special Supplemental Food Program for Women Infants and Children (WIC) are completely ignored in the Census Bureau's calculations of the living standards of the "poor." The missing welfare spending that is excluded from the annual Census Bureau poverty reports comes to \$158 billion, or over \$11,120 for every "poor" household in the United States. The Census Bureau counts most persons receiving non-cash welfare as "poor" even if the total value of the welfare assistance received greatly exceeds the poverty income thresholds.

How "Poor" Are America's Poor?

Not surprisingly, the actual standard of living of persons defined as "poor" by the Census Bureau is far higher than most would imagine. In fact, government data on the possessions of officially poor households starkly contradict the American public's understanding of what it means to be "poor." For example, 62 percent of "poor" households own an automobile and 14 percent own two or more automobiles.⁵ Fifty percent of the poor live in houses that are air conditioned.⁶ Thirty-one percent have microwave ovens.⁷

The poor today are better housed, have better diets, and own more property than did the average U.S. citizen throughout much of the 20th Century.⁸ According to the Census Bureau's *American Housing Survey for the United States in 1987*, 38 percent of poor households own their own home, with a median value of \$39,205 or roughly 60 percent of the median value of all homes in that year.⁹ Nearly one-half million households defined as "poor" by the U.S. Census Bureau owned homes valued at over \$100,000 in 1987.¹⁰

Whether owned or rented, the homes of "poor" households also are on average quite spacious by historic or international standards. By American standards, housing is considered "crowded" if

5 U.S. Department of Commerce and U.S. Department of Housing and Urban Development, *American Housing Survey for the United States in 1987*, Current Housing Reports H-150-87, (Washington, D.C.: Government Printing Office, 1989), p. 46.

6 *Ibid.*, p. 40.

7 U.S. Department of Energy, Energy Information Administration, *Housing Characteristics: 1987*, (Washington, D.C.: Government Printing Office, 1989), p. 87.

8 Robert Rector, Kate Walsh O'Beirne and Michael McLaughlin, "How 'Poor' Are America's Poor?" *Backgrounder 791*, (Washington, D.C.: The Heritage Foundation, September 21, 1991), p. 2.

9 *American Housing Survey for the United States in 1987*, *op. cit.*, pp. 34, 84, 114, and 304.

10 *Ibid.*, p. 114.

more than 1.5 persons occupy each room. Using this definition, in 1987 less than 2 percent of "poor" households were "crowded" and only 7.5 percent of poor households had more than 1 person per room.¹¹ When measured by square feet per person, the homes of "poor" Americans have 4 times as much living space as the home of the average Russian and twice as much as the average Japanese. And the housing of poor Americans is generally in good condition.¹² The median age of such housing units is only seven years greater than the median age for the overall U.S. housing stock.¹³ According to the *American Housing Survey for the United States in 1987*, only 2.4 percent of housing units owned or rented by "poor" households had significant structural defects such as crumbling foundations or missing roof material.¹⁴

The diets of low income Americans are also significantly better than generally assumed. Surveys conducted by the U.S. Department of Agriculture show relatively little difference in overall food consumption between high and low income households. Though the food purchased by low income households normally is of lower quality and less expensive than that consumed by the upper middle class, there is little evidence of material shortages. For example, the average low income person eats 95 percent as much meat as the average person in the upper middle class. Measured in pounds of food consumed per week, low income persons actually consume 114 percent as much poultry, 109 percent as much fish and 92 percent of the fresh vegetables consumed by the upper middle class.

The diets of the poor also provide a high level of nutrition. As Table 1 shows there is little difference in the average intake of essential nutrients between high income and poor Americans. Indeed, low-income Americans eat very rich diets compared to the rest of the world. For example, low-income Americans eat 75 percent more meat than the average Briton, 61 percent more meat than the average Italian and 150 percent more than the average Mexican.¹⁵

Hungry Children?

Children's "advocates" frequently express concern about malnutrition among the nation's poor children. In 1985 the Department of Agriculture conducted a thorough study of the food consumption and nutritional status of pre-school children. This study again found very little difference in the nutritional content of food consumed by low income as compared to affluent children. Children from families with incomes below 75 percent of the poverty line consumed 54.4 grams of protein per day compared to 53.6 grams for children in families with incomes above 300 percent of the poverty threshold (roughly \$33,000 for a family of four in 1985).¹⁶ Black pre-school children consumed 56.9 grams of protein per day compared to 52.4 grams for white children.¹⁷ Sur-

11 *Ibid.*, p. 38.

12 *Ibid.*, pp. 34, 36, and 44.

13 *Ibid.*, p. 34.

14 *Ibid.*, p. 36.

15 *Ibid.*, p. 15. The comparison is between poor Americans and the general population in other countries.

16 Human Nutrition Information Service, U.S. Department of Agriculture, *Low Income Women 19-50 Years and Their Children 1-5 Years, 4 Days: 1985*, CSF II Report 85-5, (Washington, D.C.: U.S. Department of Agriculture, 1988), p. 50. Human Nutrition Information Service, U.S. Department of Agriculture, *Women 19-50 Years and Their Children 1-5 Years, 4 Days: 1985*, CSF II Report 85-4, (Washington, D.C.: U.S. Department of Agriculture, 1987), p. 42.

17 *Women 19-50 Years and Their Children 1-5 Years, 4 Days: 1985*, *op. cit.*, p. 42.

Table 1
Average Nutrients Consumed
as a Percentage of 1980 Recommended Dietary Standards

	Persons Eligible for Food Stamps	Poor Persons	Upper-Middle Income Persons
Protein	169	164	168
Vitamin B₁₂	142	171	171
Vitamin C	137	132	156
Riboflavin	135	132	133
Phosphorous	131	125	139
Vitamin A	124	136	129
Thiamin	119	115	111
Niacin	118	119	125
Iron	99*	97*	101
Calcium	89*	81*	89*
Magnesium	87*	78*	86*
Vitamin B₆	75*	74*	77*

*Average Consumption falls below recommended dietary standards.

Source: U.S. Department of Agriculture, Human Nutrition Information Service, *Food Consumption and Dietary Levels of Low-Income Households November 1979 - 1980* (Washington, D.C.: U.S. Department of Agriculture, 1987), p. 126. U.S. Department of Agriculture, *Nutrition Monitoring in the United States — A Report from the Nutrition Monitoring Evaluation Committee* (Washington, D.C.: Government Printing Office, July 1986), pp. 48-49. U.S. Department of Agriculture, Human Nutrition Information Service, *Food and Nutrient Intakes in 48 States, Year 1977-78* (Washington, D.C.: U.S. Department of Agriculture, 1984), passim.

prisingly, protein and caloric consumption was slightly higher among children in the central cities than in the suburbs.¹⁸

Average consumption of nutrients was very high for pre-school children of all income classes. Protein consumption among children living in families with incomes below 75 percent of the poverty line equalled 211 percent of the recommended USDA standards.¹⁹ Consumption of essential vitamins and minerals among both high income and poor children generally exceeded USDA standards, often by as much as 50 to 100 percent. Shortfalls were found in the average consumption of iron and zinc, but these were unrelated to income class or race.²⁰

Material Poverty Versus Behavioral Poverty

Despite improvements in the general material condition of "poor" Americans, it would be a mistake to conclude that the War on Poverty was a success. To do so would ignore the emergence of widespread "behavioral" poverty, a breakdown in the values and conduct which lead to the formation of healthy families, stable personalities and self-sufficiency. The War on Poverty may have raised the material standard of living of some Americans, but at a cost of creating whole communities where work is rare or non-existent, and multiple generations have grown up dependent on government transfers.

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

For the poor, one of the most devastating legacies of the past 25 years has been the dramatic reduction in work effort. For a growing number of poor Americans, the existence of generous welfare programs makes not working a reasonable alternative to long-term employment. During the late 1960s and early 1970s, social scientists at the Office of Economic Opportunity (OEO) conducted a series of controlled experiments to examine the effect of welfare benefits on work effort. 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."

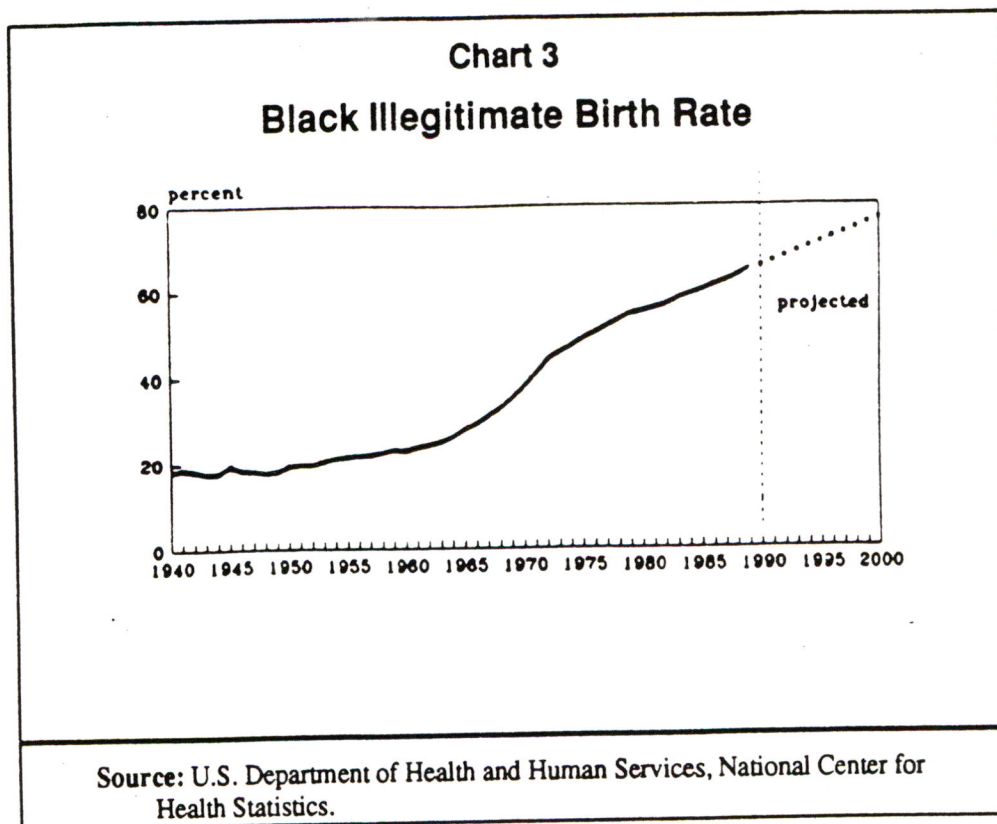
Advocates of expanding welfare had hoped that SIME/DIME and similar experiments conducted in other cities would prove that generous welfare benefits did not adversely affect "work effort." Instead, the SIME/DIME experiment found that every \$1.00 of extra welfare given to low income persons reduced labor and earnings by \$0.80.²¹ SIME/DIME's negative effect was even more pronounced among young, unmarried males: the number of hours worked per week declined 43 percent for those who remained unmarried during the experiment and 33 percent for those who married.²² The results of the SIME/DIME study are directly applicable to existing welfare pro-

18 *Ibid.*

19 *Low Income Women 19-50 Years and Their Children 1-5 Years, 4 Days: 1985, op. cit., p. 72.*

20 *Low Income Women 19-50 Years, op. cit., p. 73. Women 19-50 Years, op. cit., p. 65.*

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



grams: nearly all have strong anti-work effect like those demonstrated in the SIME/DIME experiment.

The effects of welfare in undermining the work ethic are readily apparent. In the mid-1950s nearly one-third of poor households were headed by an adult who worked full time throughout the year. Today, with greater welfare benefits available, only 16.4 percent of poor families are headed by a full time working adult. Thirty years ago the problem facing the working poor was low wages; today the problem is these adults don't work.

Perhaps the most distressing consequence of welfare is its devastating effect on family structure—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.²³

The onset of the "War on Poverty" directly coincided with the disintegration of the low-income family. Increasingly generous welfare benefits to single mothers directly contributed to the rise in

22 Charles Murray, *Losing Ground: American Social Policy From 1950 to 1980*, (New York: Basic Books, 1984), p. 151.

23 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.

illegitimate births. Recent research by Shelley Lundberg and Robert D. Plotnick of the University of Washington shows that an increase of roughly \$200 per month in welfare benefits per family causes the teenage illegitimate birth rate in a state to increase by 150 percent.²⁴

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. Welfare programs discourage young men and women from marrying and promote the disintegration of existing two-parent families. And because two parents are more likely to be able to sustain a family above the poverty level than a single parent, welfare, by increasing the number of single parent families, has led to an increase in the number of children officially counted as "living in poverty." According to the Census Bureau, a single parent family is six times more likely to be officially poor than a two-parent family.²⁵ In 1959, 28 percent of poor families were headed by females with no husband present. Today, 51.7 percent of families below the poverty line are headed by females with no husband present. Rather than lift families out of poverty, welfare programs instead have undermined the family and contributed to an apparent rise in the number of poor children.²⁶

Dependency 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 to be on welfare than other children when they become adults.²⁷ 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. Of the 3.8 million families currently receiving assistance through Aid to Families with Dependant Children (AFDC), well over half will remain dependant for over ten years; many for fifteen years or longer.²⁸

How Welfare Undermines Work and Marriage

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.

Across the nation, the current welfare system has all but destroyed family structure in the inner-city. Welfare establishes strong financial disincentives, 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

24 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 in Toronto, Canada.

25 Kate Walsh O'Beirne, "U.S. Income Data: Good Numbers Hiding Excellent News," *Backgrounders* 667, (Washington, D.C.: The Heritage Foundation, August 19, 1988), p. 4.

26 This, however, is at least partially due to the deficiencies of the Census Bureau measurement of poverty. According to the Census Bureau nearly all single parent families on AFDC are "poor." However, if the non-cash benefits received by such families were counted, many would have incomes above the poverty threshold.

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

28 David Elwood, *Targeting "Would-be" Long-term Recipients of AFDC*, (Washington, D.C.: U.S. Department of Health and Human Services, January 1986), p.5.

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 \$12,000 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 will permit the young father to marry the mother and join the family to receive welfare, but only as long as he does not work.²⁹ 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.

It is important to note that under current welfare policy it is not even necessary for the father to live separately from the mother in order for the mother to receive AFDC benefits. As long as the parents do not actually marry, the father may hold a job and may co-habit with the mother on a near-permanent basis without jeopardizing the mother's welfare benefits.³⁰ However, the moment the mother and father marry, the welfare benefits are eliminated or sharply reduced.

Under the current system a welfare mother and her male partner may "pool" the financial resources available from the male's job and the mother's welfare as long as they remain unmarried. Welfare thus not only raises the rate of out of wedlock births, it also forms a permanent financial barrier to marriage for poor, single mothers. Example: A single mother on AFDC who has two children is receiving roughly \$12,000 per year in welfare benefits from various programs. She has a stable relationship with a boyfriend who earns \$12,000 per year. The AFDC mother and her boyfriend have a joint, after-tax income from welfare and earnings of roughly \$22,000. If the mother marries the boyfriend, his earnings are included in the determination of the mother's welfare eligibility, most welfare benefits would be eliminated, and the couple's joint income would drop to between \$12,000 and \$13,000.

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.³¹ 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.³²

29 The 1988 federal welfare law required all states to establish an AFDC-UP program by October 1, 1990. Prior to passage of the 1988 welfare law, 23 states did not have an AFDC-UP program and those states were allowed to limit AFDC-Up cash benefits to six months, but were required to continue to provide Medicaid as long as the family was otherwise eligible for AFDC. The 1988 law allowed states to require full-time participation by one parent in Job Opportunities and Basic Skills (JOBS) program, while mandating that the states require one parent to spend at least 16 hours per week in work activity. States must enroll at least 40 percent of their AFDC-UP caseload in work programs by fiscal 1994 and up to 75 percent by fiscal 1997 and 1998. Both the requirement for AFDC-Up coverage and the work requirement end September 30, 1998.

30 Technically, the co-habiting male's income would be included in determining the AFDC mother's food stamp and public housing benefits, but it is unclear to what degree this principle is enforced.

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

32 Technically the mother may be married to a husband who works part-time at very low wages and still be eligible

Low-income parents in the inner-city have responded to the destructive financial incentives of the welfare system. Single mothers on welfare drift through a series of "sequential common law marriages" with different males. Lacking the social, legal, and financial incentives which help to cement middle-class families, these sequential relationships do not flourish. Strong, permanent two-parent family units seldom emerge.

The behavior of males in the inner-city is also affected by welfare. As noted, the welfare system gives every incentive to fathers to abdicate their financial responsibility for their children; indeed, it severely penalizes those who accept such responsibility. Relieved of the financial necessity of supporting a family, the commitment of unmarried males to the labor force languishes. While jobs are readily available, low-income, unmarried men with fewer financial needs drift in and out of part-time jobs with frequent periods of non-employment.³³ While the continuous and full-time participation in the labor force among other workers leads to increased skills and earnings levels, the half-hearted, intermittent labor history of unmarried males in the inner-city leads to stagnant skills and earnings.

Deprived of a role in financially supporting their children, these unmarried men also fail to assume their social and psychological roles as fathers. This, in turn, exacts a severe penalty on the children. Low-income children, growing up in inchoate family environments deprived of the vital, positive influence of a stable male parent, are themselves severely handicapped in their emotional, mental and moral development.

Groping for a Solution

America is a "fix it" society. By nature, Americans seem to believe that all problems have solutions. Therefore, American politicians and the public have difficulty believing that there are no easy solutions to the anti-marriage, anti-work incentives provided by the current welfare system. But there are *no* easy solutions. For example, a commonly proposed solution is to raise the earnings capacity of low-income fathers. While this would be a step in the right direction, it would not eliminate the anti-marriage effects of conventional welfare. Even if the earnings capacity of all low-income fathers were raised to the point where *every* working father could provide a standard of living for his family higher than the standard of living welfare provides to single mothers—low-income mothers and fathers would still be better off financially if they avoided marriage.

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.³⁴ If they do marry their

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.

33 Harry J. Holzer, "Black Youth Nonemployment: Duration and Job Search," in Richard B. Freeman and Harry J. Holzer, *The Black Youth Employment Crisis*, (Chicago: University of Chicago Press, 1986), p. 64.

34 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, 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. The only programs which provide an unadulterated pro-marriage effect are programs limited to two-parent families with children, for example, the two-parent wage supplement discussed in

joint income equals the father's earnings alone. Another way of expressing this dilemma is that the welfare system imposes an extra-ordinarily 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.

There are only two ways to eliminate the anti-marriage incentives of the welfare system. The first would be to eliminate the \$10,000 to \$12,000 "welfare paycheck" given to single mothers. The second would be to provide exactly the same \$10,000 to \$12,000 in benefits to all two-parent families with a fully employed father. The first option is politically impossible; the second is financially impossible.

However, while it is impossible to eliminate the anti-work, anti-marriage incentives of welfare, it is possible to reduce these incentives, at least marginally. Thus a conservative approach to welfare reform would seek to reduce the harmful incentives of the current welfare system by increasing the economic benefits provided to two-parent working families with children relative to the benefits provided to non-employed single parents. This implies a two-fold strategy of:

- A) reducing the aggregate welfare benefits given to non-employed single mothers³⁵; and
- B) providing new economic benefits to working, husband and wife families, especially those where the father is fully employed.

This amounts to turning the existing system on its head. This is not an approach which will be instantly understood by politicians and the press, nor is it politically pain-free. However, there is no alternative. If a reversal of the current incentive structure of the welfare system is not attempted—the result will be a continuing erosion of family structure and the work ethic within low-income communities.

TOWARD A CONSERVATIVE PHILOSOPHY OF WELFARE

The negative effects of the current welfare system should not come as a surprise; they are a direct result of liberal welfare philosophy. As practiced for the last twenty years, liberal welfare policy is based on a triad of dangerous premises. First, despite lip service to other goals, liberal policy is preoccupied almost exclusively with raising the material living standards of the less affluent through the provision of extensive cash transfers, food, housing and medical assistance. Second, nearly all assistance is unconditional: aid is given on basis of perceived financial need. Liberal welfare programs are one dimensional and actuarial; they place no moral or social demands on recipients. The concept of reciprocal responsibility is avoided: the recipient is not expected to perform any service to society in exchange for the assistance given. The question of whether the recipient's behavior has caused his or her impoverished condition is ignored, and aid is not linked to a change in behavior. Third, liberal welfare policy rejects the idea that the poor will respond to

policy proposal 13 below.

35 Attaching a work requirement to AFDC or other welfare benefits is one means of effectively reducing the value of the welfare benefit package, since welfare benefits which are given in exchange for serious work clearly have less utility than benefits given to an individual at no cost. Thus serious work requirements attached to welfare benefits will reduce the anti-marriage incentives of the welfare system.

the harmful incentives provided by the welfare system. Even if welfare heavily subsidizes non-work and single parenthood this will not, it is believed, cause a serious increase in those behaviors.

The current welfare system is founded on a corruption of the concept of compassion derived from the Jewish and Christian religions.³⁶ In both the Jewish and Christian faiths, the idea of compassion is integrally linked to the moral responsibility of the beneficiary. In the Bible, both divine and earthly compassion are bestowed on those who repent and turn away from those behaviors which caused their misfortune.³⁷ Compassion in the traditional religious sense cannot be unconditional since its goal is to bring about a change of character and conduct.

The religious charity organizations which provided extensive aid to the poor throughout the U.S. in the late nineteenth century operated within this traditional view of compassion.³⁸ Based on a realistic understanding of human nature they knew that many would take advantage of aid that was given without the bond of reciprocal social and moral obligation. They realized that charity given unconditionally would have a corrupting effect on the poor more pernicious than poverty itself. While giving generously to meet the material needs of those who had fallen into poverty through no fault of their own, they never neglected the more permanent spiritual and psychic needs of those they aided. Religious charity was always intended to shape behavior in positive ways.

But the concept of "compassion" underwent a radical transformation beginning with the Social Gospel movement of the 1890s.³⁹ This change continued through the New Deal and found full fruition in the welfare explosion of the mid-1960s and 1970s. In this view the behavioral problems of the underclass poor are the result of vast social wrongs. Eliminating the undesirable behaviors of poor individuals requires not transforming the individual, but transforming society. Placing moral and social obligations on welfare beneficiaries was "blaming the victim," i.e., heaping added cruelties on those who had suffered enough. In its extreme form, social determinism (viewing all conduct as the by-product of the environment) has rendered liberals nearly incapable of punishing serious criminals, let alone capable of imposing middle-class norms of self-discipline, work, and family life on the "disadvantaged." Pending the radical transformation of society and economy allegedly needed to alleviate the "problems" of the poor, compassion has come to mean merely putting a larger welfare check in the mail, perhaps with a little voluntary job training on the side.

But the overwhelming share of material poverty today is the direct result of the specific behaviors of individuals which have undermined their capacity for a healthy, productive life: drug use, dropping out of school, having children out of wedlock, and failure to work consistently at available jobs (which erodes long term productivity and wages). The *false compassion* of the current welfare system accepts and even rewards these very behaviors. False compassion in the long run can only harm the poor by trapping them deeper and deeper in a cycle of self-destructive behavior. *True compassion* begins by discerning those who are truly in need as opposed to those seeking a handout; it then places a moral obligation on beneficiaries and seeks to mold behavior in positive ways. True compassion expects the poor to live by the same standards and share the same aspirations as does mainstream society.

36 See Marvin Olasky, "Beyond the Stingy Welfare State: What We Can Learn from the Compassion of the Eighteenth Century," *Policy Review* Number 54, Winter 1991, pp. 2-14.

37 *Ibid.*, pp. 8-9.

38 *Ibid.*

39 *Ibid.*, p. 10.

Principles of Conservative Welfare

Conservatives need to begin re-thinking the welfare system from the ground up based on the idea of true compassion. In shaping conservative welfare policy, six principles should be adhered to:

- 1) A conservative welfare policy must begin with a recognition that most government efforts to decrease material poverty through welfare have led to an increase in behavioral poverty: declining work effort; increased illegitimate birth rates and single parenthood; and prolonged welfare dependency. There is an inherent contradiction between most efforts to decrease material poverty through welfare and efforts to reduce behavioral poverty, and there is no easy escape from this impasse. Conservative welfare policy should de-emphasize material poverty and place increasing concern on behavioral poverty.
- 2) Conservative welfare policy must also accept that there are some individuals who may have low incomes but are neither in need of nor deserve government aid. Single, non-elderly adults who are not supporting children are the most obvious category. Welfare to such individuals is not only a waste of funds, but is often counterproductive.
- 3) Conservative welfare policy must be based on a foundation of reciprocal responsibility between the recipient and society. Welfare should not be a one-way handout; a conservative welfare system must impose moral and social standards on those receiving benefits. Some, but not all, welfare recipients should be required to work in exchange for benefits given. A serious work test quickly weeds out those who do really need aid; it also restores dignity to the recipient and is essential in reducing long-term dependency.
- 4) A conservative approach to welfare would seek to provide strong incentives for healthy, constructive behavior and would seek to minimize rewards for self-destructive behavior. In particular, it would:
 - A) seek to promote the formation of healthy, two-parent families as opposed to single parent families, and
 - B) seek to reward work effort as opposed to idleness and dependence.
- 5) Conservative welfare policy should be based on an understanding that the U.S. already spends more than enough on welfare. The problem is not that we spend too little, but that most spending is actually harmful. There should be an effort to shift funds from destructive programs into programs which provide positive incentives. Welfare spending should also be made as "transparent" as possible in order to make it clear to the public how much is being spent and how much aid a welfare recipient is receiving.⁴⁰

40 For example, if an individual receives a \$5,000 voucher for housing assistance, the public is immediately aware that substantial assistance has been given to that individual. If, on the other hand, the same \$5,000 is given indirectly through subsidies to builders or operating grants to public housing authorities, the true assistance level will remain largely hidden from policy makers and the public. Having an accurate estimate of the value of welfare benefits given to an individual is a necessary prerequisite to rational policy making. Thus, vouchers and cash assistance programs in which the value of the benefits given are immediately apparent to the public are to be

- 6) Legislators should recognize that many significant efforts to help the poor will occur outside the welfare system. Most low-income Americans can still significantly benefit from a growing economy, reduced crime, and dramatic reform of the education system. The poor will also absorb and benefit from—or be victimized by—changes in underlying American cultural values. Changes in general social norms concerning personal discipline, sexual behavior, religious belief, family commitment, and work ethic deeply affect the behavior and well-being of poor persons.

Advancing Welfare Reform

It has taken thirty years of bad policy to produce the current welfare mess. Reform may take equally as long. Conservatives must be patient. The first emphasis should be preventing the welfare system from doing even greater harm through increasing benefits in current counterproductive programs such Aid to Families with Dependent Children.

Conservatives must launch an extensive public education campaign to inform the public about the disaster of the current welfare system. Conversely, the first line of defense for the liberal welfare system is disinformation. There is a virtual full-time industry in the U.S. devoted to advancing untruths about welfare and poverty: welfare benefits are low; welfare spending was slashed under Ronald Reagan; there is widespread malnutrition and severe poverty in the U.S.; welfare has few negative side-effects on the behavior of the poor; and the poor do not work because there are no jobs available for them. The press avidly repeats these falsehoods. Conservative reform must begin with a relentless public education campaign to set the facts straight about welfare.

The second line of defense for liberal welfare policies is the “Trojan Horse.” Since the public is largely disgusted with the current welfare system, liberal efforts to expand conventional welfare must be camouflaged by conservative rhetoric and ideas. In 1987 Senator Patrick Moynihan proposed sweeping welfare reform legislation that he claimed would “require welfare mothers to work.” In fact, the bill required no one to work and actually abolished some workfare programs. Moynihan’s rhetoric about work was a successful smoke-screen for expansion of welfare benefits. Similarly in 1991 the National Commission on Children recommended placing limits on the amount of time a mother can spend on AFDC. In fact, the “time limits” were meaningless and were intended as a “bait and switch” ploy to promote vast increases in welfare benefits to single mothers. The National Commission also provided lots of rhetoric about promoting two-parent families while proposing a new government guaranteed income scheme for single mothers and illegitimate children.

Most welfare policy battles of the near future will be variants of the “Trojan Horse”. Since the substance of public policy is always in the details, conservative legislators (most of whom lack expertise in welfare issues) are at a disadvantage. The best advice is to be patient and utterly suspicious. Pursuit of small, concrete changes will generally be better than grandiose reforms, i.e., it would be better to require a few AFDC mothers to work permanently in exchange for benefits (none now do) than to accept the nebulous “time limits” on AFDC in exchange for huge increases in benefit payment levels. Conservatives can afford to be patient; basic public attitudes support conservative policies and time is on our side.

preferred to indirect forms of aid in which the dollar value of the welfare benefits are hidden and difficult to obtain.

Reforming Welfare: Specific Legislative Proposals

The following section provides sixteen legislative proposals which carry out the principles of conservative welfare policy.⁴¹

These proposed reforms are grouped into five categories: Building a welfare data base; work requirements; general welfare reforms; financial incentives for two-parent families; and educational reforms.⁴²

BUILDING A WELFARE DATA BASE

The average state legislator confronting welfare problems is like a man lost in the jungle without a guide, map or compass. The state legislator can not even find out what welfare programs are operating in the state, how much money is spent, or what is the actual value of the benefits given to the average recipient. Data that are available will be incomplete and deliberately misleading. One thing is certain: The welfare bureaucracy will claim that nearly all programs are "successful." All that is needed is a little more money.

The lack of even rudimentary data on welfare spending and program effectiveness twenty-five years into the War on Poverty is no accident. Liberal advocates have long recognized that the best way to defend and expand the welfare state is to obscure the size of current welfare spending and the lack of effectiveness of current programs. The first step in designing conservative welfare policies must be to obtain accurate information about the existing welfare system.

1) Require Scientific Evaluation of Education and Training Programs Through Controlled Experiments.

Most job training programs are evaluated by "placement rates." For example, legislators may be told that 40 percent of the enrollees in a recent program have been placed in jobs. The implication is that none of these individuals would have obtained employment without the benefit of the training program. In reality, the use of placement rates to evaluate job training programs is highly misleading because many, if not all, of the trainees would obtain jobs without training. The use of "placement rates" to evaluate social services programs is a pseudo-scientific process that would not be accepted as evidence by any serious scholar. Unfortunately, many legislators are encouraged to treat this non-scientific data as a real measure of the effects of a program.

Instead, education, training and other social service programs should be evaluated by "controlled experiments." In a controlled experiment, a group of individuals eligible to participate in a

41 Specific draft legislative language to enact many of the following proposals is available in "Children, Family, Neighborhood, Community: An Empowerment Agenda," *The Source Book of American State Legislation: Volume VII*, (Washington, D.C.: American Legislative Exchange Council, 1991). This publication is available from the American Legislative Exchange Council, located at 214 Massachusetts Avenue, N.E., Washington, D.C., 20002.

42 Some of these proposals require the state request a waiver of federal law from the Secretary of Health and Human Services under Section 1115 of the Social Security Act. The Secretary has broad authority to waive federal law relating to the AFDC program at the request of state governments. The section 1115 waiver process will play an important role in welfare reform at the state level.

program is randomly divided into two smaller groups: "controls," who do not participate in the program, and "experimentals," who do. After the training or education has been completed, the experimentals are compared to the controls. The difference between the two groups in employment, wage rates, and other factors gives a reasonable picture of the effectiveness of the program.⁴³ Often a scientific evaluation will show that a training program has no effect, or even negative effects. For example, an evaluation of a training program for AFDC-UP recipients in Maryland in the early 1980s showed that individuals who received training had lower employment rates than those who had not.⁴⁴

Liberals often attempt to prohibit the use of controlled experiments on the grounds that it is unfair to deny services to the control group. There are two responses to this charge. First, few training or education programs provide services to all eligible persons; to deny services to a specific control group does not necessarily reduce the total volume of services provided. Second, it is grossly unfair to both the taxpayer and the program participant to continually offer "helpful" programs when there is no knowledge that the program actually works. For example, to offer a drug on the market, claiming it as a cure for a disease, without first evaluating the effects of the drug through controlled experiments would be a criminal offense. Unfortunately, politicians and government bureaucrats are not held to the same standards as drug companies.

2) Determine the Level of Aggregate Welfare Spending.

There are currently 75 major federal welfare programs operating in each state. In addition most states have extra welfare programs of their own design. At the present time *no* state government can provide even preliminary information on the total level of federal, state and local welfare spending in that state. Most press reports and political statements imply that spending is far lower than actual levels. This is no accident. The absence of data on current levels of welfare spending is a powerful tool for advocates of expanding welfare. By hiding the real level of current spending, they can always ask for extra spending to meet a new "crisis" or problem. Efforts to restrain the growth of welfare spending must begin with an accurate count of current spending levels. Without this information, conservatives opposing new welfare programs may appear merely indifferent to the "poor."

43 However, controlled experiments do not capture the effects of a training or workfare program in encouraging or discouraging individuals from enrolling in welfare. For example, a strong work requirement attached to AFDC or Food Stamps benefits is likely to dissuade many individuals from enrolling in welfare in the first place.

Conversely, expensive education and training programs targeted to persons enrolled in AFDC or other welfare programs may actually encourage more people to enroll in welfare to benefit from the training. This apparently was the result from Governor Michael Dukakis' heralded Education and Training (ET) program, which actually increased welfare enrollments in Massachusetts. Since in a controlled experiment of the effects of workfare or training programs operated as part of larger welfare assistance programs, both the experimentals and controls will be individuals already receiving welfare benefits, the experiment will capture the effects of training or workfare in helping individuals to leave the welfare rolls but will not reveal the effects of the programs in encouraging or discouraging new enrollments in welfare. The effects on new enrollments may be imperfectly analyzed by examining changes in enrollment rates over time, or by comparing enrollment rates in counties or states which have a workfare program compared to those who do not. Despite these limitations, controlled experiments are a vast improvement over placement rates as a means of evaluation.

44 Daniel Friedlander, Gregory Hoerz, David Long, and Janet Quint, *Maryland: Final Report on the Employment Initiatives Evaluation*, (New York: Manpower Demonstration Research Corporation, December 1985), pp. 139-142.

State legislators should require an annual tally of federal, state and local spending within the state on the 75 welfare programs listed in Appendix Table A, as well as any added state programs. In the average state, the total will be around \$5,000 for each poor person or \$20,000 for each family of four. Without accurate data on existing spending there can be no rational discussion of welfare policy. Once the data are available, the onus falls on the welfare state advocates to explain how so much can be spent with so little apparent effect.

3) Create a Study of Combined Welfare Benefit Levels.

Aid to Families with Dependant Children (AFDC) is the second largest welfare program in the United States. In an average month in 1989, 3.8 million families, comprising 10.9 million persons, received AFDC benefits. Among families currently receiving AFDC half will remain on welfare for over 10 years.⁴⁵

The average AFDC benefit for a family of three in 1989 was \$381. However, AFDC families are eligible to receive extra benefits from up to a dozen different programs. While few families actually receive benefits from all these programs, all receive benefits from more than one. In order to understand how much money is actually spent on the average welfare family, one must determine the value not of AFDC alone, but of the "combined welfare package" which the family receives from all programs. Neither the federal government nor any state government currently provides accurate information on the true cost of the combined welfare package received by the average AFDC family. All public figures understate the average benefit levels, and thereby implicitly provide ammunition to those who wish to increase welfare spending.

State legislators should require a survey of a sample of AFDC families with the state. This survey would include:

- 1) The percentage of AFDC families which also receive benefits from each of the following programs: food stamps, Medicaid, public housing or Section 8 housing, WIC, low-income energy assistance, school lunch programs, school breakfast programs, Head Start, Emergency Assistance, Job Training Partnership Act, and any other welfare program.
- 2) The average cost of benefits received from each program listed above. (In the case of programs like Medicaid and public housing it is not necessary to calculate the value of services given to each specific family. Instead the average value of benefits for families of that size may be used.)

With these data, the value of combined welfare benefits for the average family on AFDC can readily be calculated. In the average state the value of combined welfare benefits will be more than twice the value of the AFDC grant itself.

Once the average value of the combined welfare benefits has been determined, it would be useful to compare it to the average cost of food and shelter for low-income persons in the state. The cost of food for low-income families of different sizes can be determined from the Thrifty Food Plan published by the U.S. Department of Agriculture. A separate survey should be undertaken to determine the average actual cost of non-subsidized rental housing in different localities for fami-

45 David Elwood, *Targeting "Would-be" Long-term Recipients of AFDC*, *op. cit.*, p.5.

lies living at or below the poverty level. In almost all cases, it will be shown that the average value of combined welfare benefits greatly exceeds the average cost of food and shelter for low-income families.

REQUIRED WORK FOR WELFARE RECIPIENTS

There are three types of programs generally included under the loose term "work program." They are:

Job Search. In a job search program the welfare recipient undertakes a supervised search for employment for a specified number of hours each week. A good job search program will provide: motivation, instruction on how to look for work and how to perform in a job interview, as well as close supervision. An example of a good job search program is a "job search phone bank," in which welfare recipients report to the welfare office each day and are placed in a phone bank room with other welfare recipients. Under close supervision, the welfare recipients phone a list of prospective employers looking for job openings; the welfare recipient remains continuously active in the phone bank throughout the day, leaving the welfare office only for actual job interviews.

Workfare or Work Experience. In a "work experience" program the welfare recipient works for a number of hours each week for a non-profit organization or government agency. A "work experience" program has three purposes: 1) it provides individuals unaccustomed to work with the basic skills of getting to work regularly and on time, of taking orders, decorum, and so on; 2) it establishes the moral principle that welfare should not be a one-way handout; that the welfare recipient should perform service to society in exchange for assistance; and 3) it makes welfare less attractive and real employment more attractive by attaching a cost to the welfare benefit. Thus it motivates individuals to leave the welfare rolls and obtain employment.⁴⁶

Education and Training programs. Education and training programs are intended to raise the skill and wage levels of welfare recipients through either remedial education or specific job training.

Experiments with AFDC recipients have shown that job search, workfare, and education and training can all produce modest reductions in welfare dependency. Education and training programs, however, are much more expensive than job search or work experience and, therefore, are unlikely to reduce costs for the taxpayers. Moreover, education and training programs generally do not accomplish their goals of raising the skill and wage levels of welfare recipients.⁴⁷

Over 90 percent of the public believe that able-bodied welfare recipients should be required to perform some work for the benefits received.⁴⁸ Liberals will pay lip service to this sentiment, but will adamantly oppose attaching serious work requirements to welfare beneficiaries. When liberals speak of "work requirements," they usually mean extra education and training programs for wel-

46 Some state legislators feel that welfare recipients should be required to work in for-profit, private sector jobs. This is impractical because private sector firms do not want employees who have been literally forced to work. However, requiring welfare recipients to work in the public sector removes the option of receiving welfare without work. This makes welfare less attractive and will induce many recipients to leave welfare and take private sector employment.

47 See Robert Rector and Peter T. Butterfield, "Reforming Welfare: The Promises and Limits of Workfare," *Backgrounders* 585, (Washington, D.C.: The Heritage Foundation, June 11, 1987).

48 Data from the Sindlinger and Company poll conducted for The Heritage Foundation, *op. cit.*

fare recipients who wish to participate voluntarily. From a conservative perspective, workfare and job search are generally preferable to education and training. Some evidence indicates that a serious work requirement will dramatically reduce the number of welfare beneficiaries in some, but not necessarily all, welfare programs. However, serious workfare programs are rare, so the evidence is limited.

As a general rule of thumb, for both practical and ethical reasons, work requirements should be imposed first on those individuals who have the least justification to be unemployed, i.e., work requirements should be imposed first on single males and last (if at all) on unemployed single mothers with young children. Finally, in any serious workfare program, the number of hours of work required each week and the number of weeks the requirement will be continued will be key. Programs targeted toward volunteers should be avoided. Work and job search programs are successful to the extent that they motivate individuals to leave welfare, in part by making welfare less attractive. Volunteers are already motivated to leave welfare and will not benefit from most programs.

4) Collect Data on Work Requirements.

Many state legislators believe that large numbers of welfare recipients in their state are currently engaged in job search, workfare or training. This is almost never true. Statistics on this question are quite misleading. For example, a state welfare office may assert that 20 percent of adult AFDC recipients participated in work programs during a year, but many will have participated for only a few days or weeks. In most states only 3 percent to 5 percent of adult AFDC recipients will participate in job search, workfare or training during the average month.

State legislatures should require that their welfare departments reveal the percentage of adult welfare beneficiaries who actively participated in job search, workfare, education and training for each month throughout the year. The average hours of active participation per month should also be shown. These data should be provided for AFDC families, AFDC-UP families, General Assistance recipients and for single, non-elderly adults receiving food stamps.

5) Mandate Workfare for General Assistance Recipients.

AFDC provides aid to families with children. Supplemental Security Income (SSI) supports the elderly and disabled persons. General Assistance is a "catch-all" program run by the state governments for persons who are not eligible for either AFDC or SSI. Large numbers of General Assistance recipients are able-bodied, single adults who are unemployed. Since any single adult can support himself above the poverty level merely by working full time at a minimum wage job, there is little rationale for welfare assistance for this group. Even if a single adult cannot find any current employment, there can be no reasonable objection to requiring that such individuals perform public service in exchange for the welfare assistance received.

State governments should impose work requirements on all able-bodied single adult beneficiaries of General Assistance. Each General Assistance recipient should perform 40 hours of public service per week (or, alternatively, 25 hours of work and 15 hours of supervised job search). This work requirement should begin the first week assistance is given and should continue as long as General Assistance payments are received. Evidence suggests that such a work program may dramatically reduce General Assistance enrollments. Many General Assistance beneficiaries can readily obtain employment; many may, in fact, have part-time jobs which they have hidden from the welfare office.⁴⁹

6) Mandate Workfare for Food Stamp Recipients.

Food stamps are provided to low-income working families, AFDC families, low-income elderly persons and the disabled. Food stamps are also provided to able-bodied adults who are unemployed. As in the case with the General Assistance program, there is little justification for this assistance; able-bodied, non-elderly adults without children receiving food stamps should be required to participate in a supervised job search program for 40 hours per week for the first 8 weeks after initially receiving food stamp assistance. After this initial eight week period the individual should be placed in a workfare program for an additional 8 weeks. Federal law, however, limits required participation in a Food Stamp workfare program; the number of hours of required work per month may not exceed the value of the Food Stamps divided by the greater of the federal or state minimum wage. This means that, on average, single individuals receiving Food Stamps can be required to work two to three days each month. After 8 weeks participation in the workfare program, the individual should resume participation in a full-time, supervised job search program for an extra 8 weeks. If the individual is still receiving Food Stamps at the end of the second job search requirement, participation in the workfare program should recommence.⁴⁹ A serious work requirement and job search should cause a significant drop in the enrollment of such individuals in the food stamp program.

7) Establish Work Requirements for AFDC-UP Recipients.

The federal Welfare Reform Act of 1988 required all state governments to establish Aid to Families with Dependant Children - Unemployed Parent (AFDC-UP) programs. While normal AFDC is limited to single parents with children, AFDC-UP provides assistance to two parent families with children. To be eligible both parents must be unemployed or have limited part-time employment. The average value of combined welfare benefits for an AFDC-UP family is between \$12,000 and \$14,000 per year. While there are practical difficulties with imposing work requirements on single parents with young children, work requirements seem much more reasonable for a family where both the father and mother are present and neither is employed. States should establish a 40 hour per week job search and workfare requirement on one parent in each AFDC-UP family. If a parent is employed part-time, the work requirement should be adjusted so that the job search, workfare and employment together equal 40 hours per week. The work requirement should continue as long as the family receives AFDC-UP benefits.⁵⁰ Most AFDC-UP fathers are readily employable. Attaching a serious, permanent work requirement to AFDC-UP will make welfare less attractive, thereby promoting quicker re-entry into the labor force and discouraging long-term dependency.

8) Be Cautious About AFDC Workfare.

There were 3.07 million single mothers receiving AFDC benefits in an average month in 1989. Although there is a lot of rhetoric concerning work requirements for AFDC mothers, there are in fact very few AFDC mothers currently participating in job search, job training or work experi-

49 This complicated sequence of activities is a result of the restrictions of federal law and regulations. A Food Stamp recipient may be required to participate in a job search program for a period not longer than 8 weeks and for no more than a total of 16 weeks out of a single year. Participation in workfare may continue indefinitely but is subject to limits on the number of hours required work per month.

50 This proposal would require submission of a waiver to the Secretary of Health and Human Services under section 1115 of the Social Security Act.

ence. Senator Daniel Patrick Moynihan made headlines in 1987 by declaring that he was going to require welfare mothers to work; in fact, Moynihan's original bill expanded welfare assistance but required no one to work or even to be trained to work. The final welfare reform legislation of 1988 requires roughly 6 percent of AFDC and AFDC-UP families to have one adult participating in job search, workfare or training in each month in 1992. This requirement is raised to roughly 10 percent in each month by 1995.

Most of the clamor about alleged work requirements for AFDC recipients is false. Many of those who talk the loudest on this issue are, in fact, the most opposed to serious workfare programs. Instead, they are interested in promoting added funds for education, training, daycare, transitional benefits and other welfare services under the rationale that AFDC mothers are now required to work. AFDC workfare is a classic "bait and switch" strategy. There will be lots of rhetoric about work, but when the smoke clears, spending for daycare, training and social services will go up while few, if any, welfare recipients will be required to even search for a job.

Conservative legislators who are seriously interested in work requirements for welfare recipients should focus their efforts on establishing serious, permanent work requirements for General Assistance, Food Stamps, and AFDC-UP recipients as outlined above. In most states, they will find that despite the glib rhetoric about work there is strong political opposition to real work requirements even for these programs. Establishing work requirements for General Assistance, Food Stamps and AFDC-UP will be an uphill fight and will provide an opportunity to assess the limited prospects for establishing real work requirements for single mothers on AFDC.

However, if work requirements and training programs for AFDC mothers are to be established, the following principles should be followed:

- 1) Required participation in workfare, job search and training should be limited to mothers who do not have children under age five or who have been on AFDC for over 5 years.⁵¹
- 2) Job Search and workfare should be favored over training. Mothers who do not find employment through Job Search should participate in a 30 hour per week workfare program for at least 18 months.⁵²
- 3) All Job Search, workfare and training programs should be evaluated by controlled experiments to determine their effectiveness and their cost or savings for the taxpayer.⁵³ Job search and workfare are generally to be preferred to training.⁵⁴

Most AFDC mothers are employable; they lack the motivation and financial incentive to work, not the skills. Most training programs are expensive and are unlikely to significantly raise the earnings potential of the individuals enrolled in them.⁵⁵ AFDC work programs with a heavy emphasis on training are unlikely to save the taxpayer money.

51 The exception would be young mothers in a Learnfare program. See page 31.

52 This policy would require a section 1115 waiver from the federal Secretary of Health and Human Services.

53 However, as with AFDC-UP Workfare, the controlled experiment will not capture the dissuasive effects of the workfare program on new AFDC enrollments.

54 Again, the exception is Learnfare.

55 See Robert Rector and Peter T. Butterfield, "Reforming Welfare: The Promise and Limits of Workfare," *op. cit.*, and Lawrence M. Mead, "Jobs for the Welfare Poor," *Policy Review* Number 43, Winter 1988.

It is particularly important to avoid imposing work requirements on AFDC mothers with children under age five. (The exception to this would be mothers in the Learnfare program. See proposal 16 below.) Nearly half of all AFDC mothers do not have any children under five. In most states AFDC job search, workfare, and training programs could be expanded five to ten fold without involving a single mother with a child under five. There is nothing in the federal law that requires or even encourages any work or training requirements for AFDC mothers with young children.

There are three reasons to avoid requiring AFDC mothers with pre-school children from participating in training, work and Job Search programs. First, if mothers with young children are forced to participate the state must pay the cost of providing daycare. While work programs for AFDC mothers without young children may save the taxpayer some money, programs involving mothers with pre-school children invariably will end up not saving money but costing the taxpayer more. Second, there is now a substantial body of evidence indicating that separating a young child from its mother for long periods of time has strong, negative effects on the child's development. This is particularly true for children under age two.⁵⁶ Third, we are currently witnessing a political and social struggle over the future of the American family. Some social theorists tell us that the traditional family where the parents care for their own children is a thing of the past; all children will soon be raised in daycare centers, they argue. They seek to create a system of government-funded daycare to support this "brave new world" of the future. Most find this vision of the future chilling.

Work requirements for AFDC mothers with pre-school children have a large, symbolic role in this debate over the future of the American family. In the odd logic of politics, promoting work requirements for AFDC mothers with pre-school children is transmuted into a ratification of claims that the traditional family is dead and that all mothers should be employed. Conservative politicians who argue firmly for putting AFDC mothers with young children to work will find themselves in a difficult position trying to stave off efforts to provide government daycare for children from middle-class families.

This has already occurred at the federal level where the welfare reform act of 1988 with its extremely modest AFDC training requirements was immediately followed by the behemoth "Act for Better Childcare," an effort to establish the foundations of a federal daycare system for middle-class children. Advocates of this bill were quick to use the work requirements for AFDC mothers as a justification for building a government daycare system. Conservative members of Congress who had foolishly pushed for work requirements for AFDC mothers with three year-old children found it difficult to oppose government - subsidized daycare for working and middle-class families. Having argued that welfare children belong in daycare centers, they found it difficult to explain why it might be better to raise middle-class children in their own homes.⁵⁷

Most individuals who call themselves conservative see the preservation of the traditional family and traditional parenting as essential to maintaining a free society. The prospect of converting America into a society like Sweden where most children are raised in government daycare centers is frightening. This overall question of the transformation of the family and the survival of traditional parenting is one of the most serious problems facing the United States; it is vastly more im-

56 See Karl Zinsmeister, "Brave New World: How Daycare Harms Children," *Policy Review* Number 44, Spring 1988, pp. 40-48.

57 See Robert Rector, "Fourteen Myths About Families and Child Care," *Harvard Journal on Legislation*, Volume 26, Number 2, Summer 1989.

portant than the issue of requiring AFDC mothers with young children to work. For this reason alone, conservatives should resist work requirements for AFDC mothers with young children.

OTHER WELFARE REFORMS

9) Create an AFDC "Wed-fare" Program.

The current welfare system makes marriage unrewarding. The system instead rewards divorce and out-of-wedlock birth and discourages marriage by single mothers on welfare. While there is considerable discussion about increasing employment for single mothers on AFDC, there is little discussion of raising the marriage rate for single AFDC mothers. But more women leave AFDC through marriage than through employment. While promoting employment of single mothers may have some social benefits, the benefits of reducing single parenthood by promoting marriage are much greater.

State governments should consider a "wed-fare" program, providing a bonus of \$4,000 to any woman who marries, leaves the AFDC rolls, and stays off for at least 2 years. The "marriage bonus" should be limited to women who have already been on AFDC for over 2 years and are likely to become long-term welfare dependents. The "marriage bonus" could be given to a mother only once. States should implement the "marriage bonus" on a small scale and evaluate the program's impact through a controlled experiment to determine if, in fact, it increases marriage rates and reduces AFDC dependence.

10) Reduce AFDC Benefits.

AFDC is the second largest welfare program in each state. Many of the social pathologies which beset low-income communities are, at least in part, the result of AFDC. AFDC undermines work ethic and parental responsibility; it corrodes family structure. The higher the monthly AFDC benefit level per family, the greater the negative effects. Raising the value of AFDC benefits per family in a state will cause: an increase in illegitimate births to teenage mothers; an increase in the number of single-parent families on AFDC; and a decrease in the number of single mothers leaving AFDC by marriage or re-marriage.

The monthly AFDC benefit level is the most important welfare policy variable within each state. State legislatures should never increase AFDC benefit levels faster than the rate of inflation. If politically possible, benefits should be reduced. Savings from this reduction could be used to fund other more beneficial welfare programs such as the Earned Income Tax Credit. The negative effects of increasing AFDC benefits are so significant that conservative policy makers should never consider raising AFDC benefits as a quid pro quo for other conservative reforms.

Families which receive both AFDC and public housing subsidies will generally have highest welfare benefit packages within a state. An AFDC family which also receives housing subsidies will have, on average, a combined benefit package \$2,000 to \$5,000 a year higher than the benefits received by AFDC families without housing aid. Therefore reducing the benefits of AFDC beneficiaries who also get public housing aid may be more feasible than cutting benefits for all AFDC families. One practical way a state government could reduce AFDC benefits would be to reduce AFDC benefits by \$40 for every \$100 in housing subsidies received by a family.

11) Eliminate Extra AFDC Benefits for a Second Child Born While the Mother is Already Receiving Welfare.

Governor Tommy Thompson of Wisconsin recently proposed limiting the extra AFDC benefit given to mothers who have additional children while receiving welfare. He has pointed out that no taxpaying family has an automatic increase in income simply by having an additional child. Instead, parents must balance the important rewards of having children against the financial demands that a child brings. Working families must stretch limited financial resources to meet the pressure created by having more children. Governor Thompson has argued that, similarly, welfare mothers should not have an automatic and unlimited entitlement to extra income simply by having additional children. Under Governor Thompson's proposal, a mother on AFDC would not receive an increase in AFDC payments for additional children she had. If the mother decides to bear additional children while receiving welfare, she must accommodate the costs of raising the child within her existing budget. The scheme makes the welfare mother financially accountable for the decision to have additional children. Governor Thompson has proposed to use savings from the restriction of AFDC benefits to a variant of the "wedfare" proposal (see proposal 9 above). A similar proposal not to increase AFDC benefits for mothers who have additional children has been introduced by Representative Wayne Bryant, a black state legislator from New Jersey.

State legislators should follow these examples altering their AFDC systems so that AFDC benefits are not increased when a mother already enrolled and receiving AFDC benefits has an additional child. Funds saved from this limitation could be devoted to other programs such as a family wage supplement or wedfare.⁵⁸

12) Establish Residence Requirements for Teenage Mothers on AFDC.

The federal Welfare Reform Act of 1988 gives state governments the option to require any non-married teenage mother, who receives AFDC benefits for herself and her child, to reside with her parents. Permitting teenage mothers to receive welfare and set up separate households as if they were adults is neither in the interest of the mother nor the child. For many teenagers in the inner city, having a child out of wedlock and receiving welfare is a means of establishing financial and social independence. By leaving her home and using welfare to set up her own apartment, the teenage mother asserts her own identity and "adulthood." Requiring all teenage mothers to remain with their parents in order to be eligible to receive welfare will make welfare less socially desirable for many young women. This in turn may reduce the number of illegitimate births and the rate of welfare dependence.

FINANCIAL INCENTIVES FOR TWO-PARENT WORKING FAMILIES

13) Create an Earned Income Tax Credit for Two-Parent Working Families.

Nearly all welfare programs reward counter-productive behavior: non-work and single-parent-hood. The Earned Income Tax Credit (EITC) is an attempt to design a welfare system that rewards constructive rather than destructive behavior. In plain English, the EITC is a wage supplement for working families with children.

58 This policy would require a section 1115 waiver from the federal Secretary of Health and Human Services.

The U.S. government first established a federal EITC in 1975. The EITC, or wage supplement, differs from conventional welfare in four significant ways:

- 1)The EITC is targeted to those most likely to be in need: low income families with children.
- 2)The EITC is available to intact, two-parent families as well as single parent families. If properly designed it does not encourage family breakup and may even promote the formation of two-parent families.
- 3)Unlike other welfare programs, the EITC is linked to work.
- 4)Unlike other welfare programs, which pay lower benefits the more a parent works, the EITC provides positive work incentives by providing higher benefits as work effort increases.

Some welfare programs, such as Food Stamps and General Assistance, provide benefits to single, non-elderly able-bodied adults. Since any single adult can support himself above the poverty level merely by working at a minimum wage job and such jobs are plentiful, there is no justification for providing welfare to such persons. Indeed, the SIME/DIME experiment showed that low-income, single adults respond to welfare assistance by dramatically reducing the amount of work performed; welfare simply becomes a substitute for earned income.

By contrast, a parent with children may not always be able to adequately provide for his or her family even if the parent works full-time year round. A father with a low wage job paying less than \$6.00 per hour cannot sustain a family of four above the poverty threshold even if he works full time throughout the year. In the case of such a parent struggling diligently to support a family, the provision of some welfare aid seems well justified. Indeed, in moral terms, offering a small amount of assistance to parents who are working hard but not quite making it, seems far more justified than giving aid to parents who do not work at all.

In contrast to many other welfare programs, the EITC is limited to parents with children. Both single-parent and two-parent families are eligible for the federal EITC. But the most striking difference from all other welfare programs is that the EITC is available only to parents who work; parents who do not work receive no benefits.

The final difference between the EITC and conventional welfare is in the benefit structure. In conventional welfare programs the more an individual works, the lower the benefits become. However, for low wage parents, the EITC actually increases the more the individual parent works. It thereby provides incentives for the parent to earn more to support his or her family in contrast to the disincentives provided in normal welfare programs. Charts 4 and 5 demonstrate the difference between conventional welfare programs and an EITC program.

In Chart 4, the maximum benefits are provided when the individual has zero income. With every dollar the individual earns the welfare benefits are reduced. Although the maximum benefit level and phase-out rate differ, most major welfare programs including AFDC, SSI, Food Stamps and Public Housing conform to this general pattern.

By contrast, in an EITC program benefits equal a percentage of earnings. EITC benefits increase as earnings rise up to a "threshold earnings level". Above the threshold earnings level, the EITC benefits are gradually reduced. Chart 5 shows a hypothetical EITC or wage supplement. The EITC benefit rate equals 10 percent of earned income for families with incomes below the threshold earnings level of \$15,000. As the earned income in the family rises above \$15,000, the EITC

Chart 4
Benefits in Conventional Welfare Program

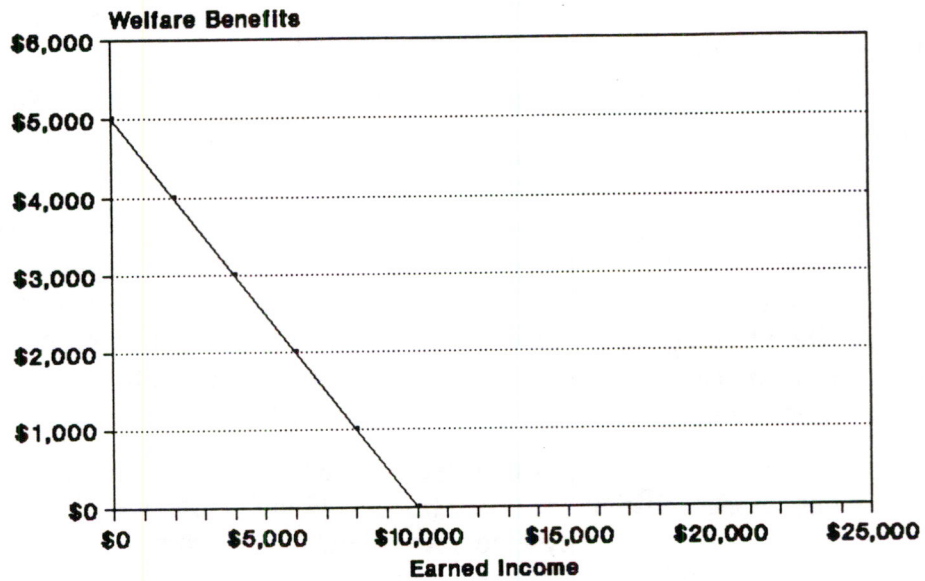
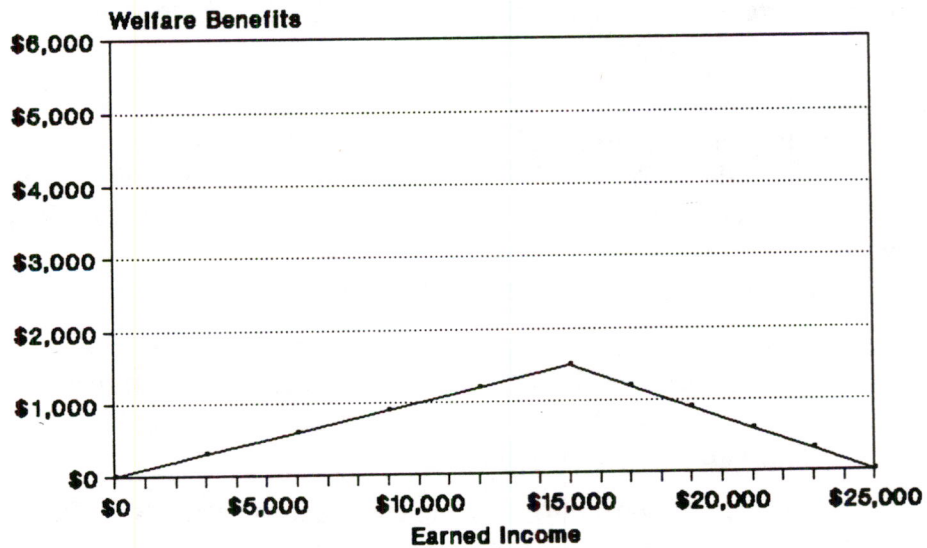


Chart 5
Benefits in a Model EITC or
"Wage Supplement" Program



benefit is incrementally reduced. The EITC reaches zero when earnings reach the \$25,000 level. Thus in this hypothetical model, a parent who did not work at all would get zero benefits. A family with \$5,000 in earnings would get \$500 in EITC benefits and a family which earns \$15,000 gets \$1,500 in EITC benefits. The EITC supplements the parents wages. For all families with earned incomes below the "threshold earnings level" it provides a positive incentive for work and can encourage families to leave welfare.

Wage Supplement for Two-Parent Families .State legislatures should adopt a state-based wage supplement which would compliment and add to the existing federal EITC. The state wage supplement should have the following features:

- 1)It would equal 10 percent of earned incomes for families with income below \$15,000 and be reduced by \$150 for each additional \$1,000 in income above \$15,000.⁵⁹
- 2)The wage supplement would be provided on a quarterly basis. In any quarter in which the total work within the family was less than 350 hours the wage supplement would not be paid.
- 3)The wage supplement would be limited to families with children in which both the husband and the wife were present.⁶⁰

This family wage supplement system is designed to raise the incomes of working, low wage parents relative to families on welfare. It is intended to reward low wage parents in their efforts to support a family and to promote the formation of intact, two-parent families.

Restricting benefits to families where there is at least 350 hours of labor per quarter (roughly 27 hours per week) targets assistance to those who need it most: a parent who is working full-time or nearly full-time at a low wage job. The 350 hour limitation avoids providing inappropriate and counterproductive assistance to families which have low incomes merely because neither parent has worked very much during the preceding quarter. By restricting benefits to two-parent families, the wage supplement is intended to promote the formation of such families and, in a small way, to offset the anti-family marriage affects of other welfare programs. The exclusion of single parent families is also justified by the fact that the federal EITC is already quite generous to single-parent families relative to two-parent families.

The proposed wage supplement is not perfect. For families in the \$15,000 to \$25,000 income range, it provides some work disincentives. The program also presents some administrative difficulties, though not necessarily more than other welfare programs. However, in comparison to other welfare programs, the positive aspects of the two parent wage supplement would be enormous. The two parent family wage supplement should be preferred to all other forms of welfare spending for non-disabled, non-elderly persons. But one should not expect miracles, the pro-work,

59 This credit, if applied in conjunction with existing federal taxes, would create a relatively high marginal tax rate on families in the \$15,000 to \$25,000 income range. But the marginal tax rate would not necessarily be high in comparison to existing welfare programs. The credit would be most effective, however, if it were established in conjunction with an increase in the personal exemption for children in the federal income tax code or a similar reduction at the federal level. In that case, the phase out rates on the wage supplement would not pose any particular difficulty.

60 Of course, it would be feasible to make single parents eligible for the wage supplement as well, although that modification would significantly reduce the positive pro-marriage effects of the program.

pro-marriage incentives of the wage supplement are relatively modest in comparison to the huge anti-work, anti-marriage incentives of the AFDC, Medicaid, Food Stamps, and Public Housing programs. Nevertheless, the wage supplement is a step in the right direction.

14)Reduce Income Taxes on Low-Income Working Families.

One of the simplest ways to reduce financial pressures on lower-income working families and to reward those families for their efforts to be self-sufficient is to reduce their tax burden. Those states with income taxes should raise the personal exemption in their income tax code for dependent children and dependent spouses. The rough goal should be to raise the exemption levels so that a husband and wife with two children with an income below \$25,000 per year does not pay state income tax.

ASSISTING THE POOR THROUGH REAL REFORM IN AMERICAN EDUCATION

Despite nearly a decade of aggressive reform which followed the publication of the National Commission on Excellence in Education's *A Nation at Risk* in 1983, there is very little evidence to suggest that America's system of public education has improved. For low-income students trapped in decaying inner-city public schools, not only has student achievement stagnated or declined but the schools themselves have become virtual war zones. Every year nearly 3 million criminal acts are attempted or completed inside the schools and on school property; every month nearly 300,000 high school students are physically attacked. The Detroit school district was shut down for two days in 1987 after 102 school-age children under the age of sixteen were shot during a four month period.⁶¹

In addition to rampant violence, low-income students in the inner-city must overcome the fact that their schools generally provide the lowest quality education. In the Milwaukee, Wisconsin public schools, for example, only 2 percent of black males have a grade point average above 3.0. In some inner city school districts, the high school dropout rate routinely exceeds 40 percent. Even among those low-income, inner-city students who manage to survive the mayhem and stay in school long enough to receive a high school diploma, student achievement levels are chronically poor. For example, half of the Chicago public high schools rank in the bottom 1 percent of the nation in scholastic achievement.⁶²

While the education reforms of the past decade have resulted in higher teacher salaries, higher per-pupil expenditures and smaller class sizes, the fundamental organization and delivery of education has changed very little. Because the poor cannot escape into private schooling, they bear the heaviest burden of the failure of the public schools. The large public school monopolies which exist in almost every major American city lack the incentive to improve the quality of education they provide because they know the poor have no alternative. In urban public school districts like Chicago, where the quality of education is notoriously low, those who can afford it usually send their children to private schools. In fact, 46 percent of public school teachers in Chicago—the very people who work in the system and know how bad it really is—send their children to private schools while only 22 percent of all people with school-age children do so.

61 *Ibid.*, p. 50.

62 Bonita Brodt, "Inside Chicago's Schools", in David Boaz, ed. *Liberating Schools*, (USA: The Cato Institute, 1991), p. 67.

Unlike nearly half of all Chicago public school teachers, the poor do not have the choice to "opt out" of dismal public schools. And unlike middle- and upper-class Americans, who can afford to either purchase homes in the suburbs or choose private schools, the poor are "left behind" with an increasingly sub-standard education. The poor's inability to choose alternative providers of education leaves them little or no leverage in dealing with the public school bureaucracy. But poor children and their parents will gain leverage only when their status with the public school monopoly changes from "guaranteed clients" to "education consumers." The poor must be given the opportunity to take their business elsewhere.

15) Establish Education Voucher Programs.

The most promising education reform gaining momentum in the states is education vouchers. A voucher system would allow the poor to "opt out" of failing public schools and would force the public school monopoly to compete for students. The public school establishment (and the powerful teachers unions in particular) vehemently opposes giving parents the right to choose non-government schools. Their opposition is usually shrouded in rhetoric about the "right of all Americans to a quality education" and the fear that vouchers would "leave the poor behind in the worst schools." Yet these arguments ignore the evidence which shows that a "quality education" is virtually non-existent in most inner-city public schools and that the existing public school monopoly has trapped the poor in sub-standard educational environments. Because the non-poor by and large already exercise choice in education, the poor would benefit most from a voucher system. Educational vouchers, which would allow parents to use their share of a state's per-pupil expenditure in any public or private school with the requisite funding "following them," would create a consumer-driven education system.

In the current public school monopoly, the needs of consumers (and especially poor consumers) are subordinate to special interests. The central office of the New York City public schools, for example, employs nearly 7000 bureaucrats for its approximately 900,000 students—a ratio of one bureaucrat for every 155 students. The New York City Catholic schools, on the other hand, have fewer than 35 employees in the central office—a ratio of one for every 4,000 students.⁶³

Thus it is not surprising that in 1989 in New York City's public schools only 32 percent of the \$6,107 allocated per pupil actually reached the classroom; the remaining 68 percent was "lost" in administrative costs and overhead.⁶⁴

It is also not surprising that the needs of poor parents are routinely ignored. The enormous size of public school bureaucracies and the politicized environment in which they function leave little room for innovation necessary to create the types of schools parents want. Without competition and the threat of losing students and the dollars that come with them, it is impossible for the public school monopoly to change.

The growing popularity of educational "choice" initiatives has forced traditional opponents of such ideas to reconsider their opposition. Albert Shanker, president of the American Federation of Teachers, for example, has publicly expressed his support for "choice." But the education establishment's support for choice is conditional: choice must be restricted to government schools.

63 Peter M. Flanigan, "A School System That Works," *The Wall Street Journal*, February 12, 1991.

64 Bruce S. Cooper and Robert Sarrel, *Managing for School Efficiency and Effectiveness: It Can Even Be Done in New York City*, pp. 4-7. Paper prepared for the University of Chicago Department of Education, August 1990.

Any attempt to include even private, non-sectarian schools is vehemently opposed. Yet in cities like Washington, D.C. and Milwaukee, where nearly every public school is plagued by violence and learning is rare or non-existent, choice restricted to the public schools is essentially no choice at all. State legislators must recognize that the education establishment's rhetorical support for "choice" will do little to improve the quality of American education, and their opposition to allowing parents to choose private schools is an attempt to insulate a failing, bureaucratic monopoly from true competition.

Restricting choice to the public schools is unlikely to create effective schools or improve student achievement. According to the Brookings Institution Senior Fellow John E. Chubb and Stanford University professor of political science Terry M. Moe, reforms like "public school choice" and school-based management, which gained popularity in the mid - to late-1980s, failed because they relied on existing institutions to implement reform when those institutions themselves are the problem. Critiquing public school choice, Chubb and Moe assert: "[C]hoice is usually restricted to a fixed set of existing schools, which reformers hope to improve through 'competition' that choice will presumably stimulate. All these schools, however, have their existence and financial support guaranteed; actions are inevitably taken to ensure that no schools are 'underenrolled' (a bureaucratic euphemism for what happens when schools are so bad no one wants to attend them); schools that do the worst are implicitly rewarded, because they tend to be the first in line for bigger budgets and more staff.... Under these conditions, giving parents and students choice among schools cannot in itself be expected to produce vigorous, healthy competition among schools."⁶⁵

Chubb and Moe's exhaustive 10-year study of 500 schools and 20,000 principals, teachers and students, concludes that the only way to improve the quality of American education is to dismantle the current bureaucratic organization of schools and replace it with one that is responsive to consumer demands and competition. They argue that competition will work to improve the quality of schools only when parents are given the opportunity to choose from a wide supply of school options including private schools.

It is also possible to design voucher programs to permit parents to send their children to religious schools. Many poor parents would strongly prefer to have their children educated in a religious environment. Research by Dr. Roger Freeman of Harvard University shows that black inner-city youth who have religious values are forty-seven percent less likely to drop out of school, fifty-four percent less likely to use drugs and fifty percent less likely to engage in criminal activities than those without religious values.⁶⁶ Despite liberal arguments to the contrary, the Supreme Court has indicated in *Mueller v. Allen* and *Witters v. Washington State Department of Services for the Blind*, that vouchers or tax credits can be spent for religious education without creating constitutional problems. As long as the parent, not the government, decides where the voucher funds will be spent there is no violation of the religious establishment clause of the First Amendment.⁶⁷

State legislators interested in implementing a voucher system should expect fierce opposition from both teachers unions and organizations that represent the system's "administrators." It is essential that they be able to counter the establishment's egalitarian rhetoric concerning the poor and

65 John E. Chubb and Terry M. Moe, *Politics, Markets and America's Schools*, (Washington, D.C.: The Brookings Institution, 1990), p. 207-208.

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

67 See Clint Bolick, "Choice in Education: Part II - Legal Perils and Legal Opportunities," *Background* 809, (Washington, D.C.: The Heritage Foundation, February 18, 1991), p. 8.

their arguments with regard to the separation of church and state. Last year's successful passage of the Milwaukee voucher program for low-income children offers proof that the opposition of the well-organized and heavily-funded education establishment can be defeated. The key lies in coalition building: much of the success occurred because the plan was promoted by a liberal, black Democrat and a conservative, white Republican together.

16) Institute a "Learnfare" Program.

Even before the War on Poverty began, receiving an education was recognized as the best way to avoid poverty. Students who drop out of high school or who receive public assistance at an early age are much more likely to become welfare dependent than students who complete their education. In many inner cities, however, high school dropout rates in excess of 40 or 50 percent are commonplace.

To address this problem, states should enact a Learnfare program. Learnfare requires school-aged children receiving AFDC benefits to attend school regularly or face a reduction in AFDC benefits. It also requires teenage mothers on AFDC to continue school unless they have completed high school or have received an equivalency degree. Failure to meet attendance requirements (fewer than 10 full days of unexcused absences during the semester) results in the mother or child being removed from the AFDC until regular attendance is re-established. The threat of reduced welfare benefits gives parents an incentive to make sure their children regularly attend school. The Learnfare program also ensures that young mothers on welfare complete their education and thus reduces the likelihood of prolonged welfare dependency.⁶⁸

CONCLUSION

American society spends nearly \$200 billion per year on government welfare, a sum nearly 50 percent greater than the Gross National Product of Mexico. Even during the "draconian" Reagan Era, government welfare spending rose faster than the rate of inflation. It is politically inconceivable that government at all levels will not continue to spend enormous sums on welfare for the foreseeable future. Conservatives must be concerned not merely with how much is spent, but how it is spent and what the social consequences of spending are. Even if nearly all welfare functions were returned to private charity, all the ethical and policy questions raised in this chapter concerning the structure of welfare assistance would remain—although the resolution of these issues would be far easier.

The invention of the "measurement of poverty" in the early 1960s has led government to throw money and benefits at low-income persons in an effort to raise their income above the poverty level. But since welfare spending reduces work effort and increases poverty-prone single parent families, raising welfare leads to an increased number of persons "needing" financial assistance. The welfare system is trapped in a vicious cycle, shoveling more and more dollars into a widening pit of splintered families and dependence. Meanwhile, the preoccupation with material poverty and "check-in-the-mail" welfare has distracted policy-makers from the central questions of

68 For mothers with children under age two, it is generally not desirable to separate the mother from the child for more than 20 hours per week. The Learnfare program for these mothers might be modified to require part-time school attendance.

welfare's affects on behavior. Even if the royal family of Saudi Arabia were to offer to pay for all U.S. welfare costs, now and in the future, conservatives would still seek to eliminate the present welfare system—because it is a bad system. This is not to say that welfare is the only culprit in the current social pathology which afflicts low-income communities. Eroding norms of family life, sexual behavior, and personal responsibility occurring at all levels of society have also had their impact on the poor. But welfare has played a major role in the growing problems of low income America: In the long run, welfare victimizes those it pretends to help.

Each of the recommended policies in this chapter would be a positive, incremental step in reform. If all were enacted, they would substantially transform the welfare system within a given state (though still leaving a flawed and expensive system). But these changes would not miraculously erase the harm caused by the War on Poverty over the past quarter century. Even if the entire U.S. welfare system were dramatically overhauled tomorrow, the pathological effects of the present welfare system would leave deep scars on low-income Americans for generations to come. The struggle to reform welfare is not one for those seeking quick and easy victories; this only increases the credit to politicians who undertake the struggle.

Appendix Table A

The 75 Means-tested Welfare Programs

MEDICAL AID

- 1) Medicaid
- 2) Medical Care for Veterans Without Service-Connected Disability
- 3) General Assistance (Medical Care Component)
- 4) Indian Health Services
- 5) Maternal and Child Health Services Block Grant, Title V of the Social Security Act
- 6) Community Health Centers
- 7) Medical Assistance to Refugees and Cuban/Haitian Entrants
- 8) Migrant Health Centers

CASH AID

- 9) Aid to Families with Dependent Children
- 10) Supplemental Security Income
- 11) Earned Income Tax Credit
- 12) Pensions for Needy Veterans, their Dependents, and Survivors
- 13) General Assistance (Nonmedical Care Component)
- 14) Foster Care
- 15) Adoption Assistance
- 16) Emergency Assistance to Needy Families with Children
- 17) Assistance to Refugees and Cuban/Haitian Entrants (Cash Component)
- 18) Dependency and Indemnity Compensation and Death Compensation
- 19) General Assistance to Indians

FOOD AID

- 20) Food Stamps
- 21) School Lunch Program (Free and Reduced-Price Segments)
- 22) Special Supplemental Food Program for Women, Infants and Children
- 23) Temporary Emergency Food Assistance Program
- 24) Nutrition Program for the Elderly
- 25) School Breakfast Program (Free and Reduced-Price Segments)

- 26) Child Care Food Program
- 27) Summer Food Service Program for Children
- 28) Food Distribution Program on Indian Reservations
- 29) Commodity Supplemental Food Program
- 30) Special Milk Program (Free Segment)

HOUSING AID

- 31) Section 8 Lower Income Housing Assistance
- 32) Low-Rent Public Housing
- 33) Rural Housing Loans (Section 502)
- 34) Section 236 Interest Reduction Payments
- 35) Rural Rental Housing Loans (Section 515)
- 36) Rural Rental Assistance Payments (Section 521)
- 37) Section 235 Homeownership Assistance for Low-Income Families
- 38) Section 101 Rent Supplements
- 39) Farm Labor Housing Loans (Section 514) and Grants (Section 516)
- 40) Rural Housing Repair Loans and Grants (Section 504)
- 41) Indian Housing Improvement Grants
- 42) Rural Housing Preservation Grants (Section 533)
- 43) Rural Housing Self-Help Technical Assistance Grants (Section 523) and Rural Housing Site Loans (Sections 523 and 524)

EDUCATION AID

- 44) Pell Grants
- 45) Stafford Loans (Formerly Called Guaranteed Student Loans)
- 46) Headstart
- 47) College Work-Study Program
- 48) Supplemental Educational Opportunity Grants
- 49) Vocational Educational Opportunities, Disadvantaged Activities
- 50) Chapter 1 Migrant Education Program
- 51) Perkins Loans
- 52) Special Programs for Students From Disadvantaged Backgrounds (TRIO Programs)
- 53) State Student Incentive Program

- 54) Fellowships for Graduate and Professional Study
- 55) Migrant High School Equivalency Program
- 56) Follow Through
- 57) Health Professions Student Loans and Scholarships
- 58) Ellender Fellowships
- 59) Child Development Associate Scholarship Program
- 60) College Assistance Migrant Program

JOBS AND TRAINING AID

- 61) Training for Disadvantaged Adults and Youth
- 62) Summer Youth Employment Program
- 63) Job Corps
- 64) Senior Community Service Employment Program
- 65) Work Incentive Program
- 66) Foster Grandparents
- 67) Senior Companions

OTHER SERVICES

- 68) Social Services Block Grant (Title XX)
- 69) Community Services Block Grant
- 70) Legal Services
- 71) Emergency Food and Shelter Program
- 72) Social Services for Refugees and Cuban/Haitian Entrants

ENERGY AID

- 73) Low-Income Home Energy Assistance Program
- 74) Weatherization Assistance

VARIED AID

- 75) State Legalization Impact Assistance Group

FOOD FIGHT

How Hungry Are America's Children?

ROBERT RECTOR

“Astartling number of American children are in danger of starving...one out of eight American children is going hungry tonight.” So began a CBS Evening News broadcast last March. This headline-grabbing charge came from a survey conducted by the Food Research Action Center (FRAC), a liberal food advocacy group, sponsored by the Kraft Corporation, one of America's largest food-processing companies.

CBS got it wrong. FRAC actually reported that one out of eight children in the United States had been “hungry” at some time during the prior year, not each night as the network reported. This shocking statistic has since passed into media and political folklore as just the latest example of the plight of poor children under the Reagan and Bush presidencies. The *New York Times*, the *Boston Globe*, the *Washington Post*, the *Chicago Tribune*, the *Christian Science Monitor*, and *USA Today* all gave the FRAC report saturation coverage.

All of these media accounts ignored the FRAC study's lack of scientific basis. In contrast to numerous other studies of nutrition in America, FRAC did not measure actual food or nutrient consumption. Instead, FRAC asked American families subjective questions about whether they would like to have more or a wider variety of foods. The FRAC survey was deliberately so vague that it actually “discovered” that large numbers of middle-class children were hungry as well.

FRAC's startling assertions of widespread hunger in America are flatly contradicted by scientific surveys conducted by the Food and Nutrition Service of the Department of Agriculture and the Centers for Disease Control of the Department of Health and Human Services. These surveys, which measure actual food consumption and physiological status in the U.S. population, show little evidence of hunger or insufficient calorie and protein intake among poor children or poor adults. Vitamin and mineral consumption are in most cases well above recommended norms and little difference is found between the level of nutrients consumed by poor and affluent children. Overall, government research finds no significant health problems among the poor caused by general food shortages. Rather, the top nutrition-related health problem among poor Americans is not hunger

and undernutrition—but obesity.

Similarly inaccurate is FRAC's identification of the politically correct cause of hunger: “spending cuts during the Reagan presidency.” Like FRAC's discovery of widespread undernutrition, these spending cuts are purely fictitious. In reality, constant-dollar spending on food programs, and on welfare programs in general, increased under Ronald Reagan. After peaking during the recession of the mid-1980s, aggregate constant-dollar federal and state food assistance spending remained at \$24.4 billion in 1990. Adjusted for inflation, this was 15 percent higher than spending in 1980 and 68 percent higher than spending in 1975. In inflation-adjusted terms, government food aid per poor person in 1987 equalled \$687, compared with \$529 in 1975.

Big FRAC Attack

The FRAC study claimed that 40 percent of poor children suffer hunger, which it defined as “a physical condition that comes from not eating enough food due to insufficient economic...resources,” and as a state of “chronic mild undernutrition.” This is a reasonable definition of hunger; but what are the actual facts about undernutrition and malnutrition in the United States?

For over 50 years the federal government has painstakingly surveyed food and nutrient consumption within the United States. In each decade since the 1930s the U.S. Department of Agriculture (USDA) has conducted at least one “food consumption survey,” using extensive interviews with representative samples of households to determine the actual amount of food consumed by each household on various days throughout the year. These surveys permit comparisons of average food and nutrient consumption in households from different socioeconomic strata.

The USDA food consumption surveys provide the government with preliminary data to identify potential nutritional problems within the general population and

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various socioeconomic sub-groups. The government then follows this preliminary data with periodic targeted physiological and anthropometric (body structure) surveys that provide a far more precise assessment of nutritional status within the population. Past surveys include the Health Examination Surveys of the early 1960s (HES I and HES II) and the National Health and Nutrition Examination Survey (NHANES) of the early 1970s. Between 1976 and 1980, the Centers for Disease Control conducted NHANES II, collecting hematological, biochemical, anthropometric, and other medical data from a representative sample of tens of thousands of Americans. The NHANES II data are critical to an accurate assessment of protein, vitamin, mineral, and caloric deficiencies.

Neither the USDA food consumption surveys nor the NHANES II study found evidence of malnutrition among poor children. In fact, they show very little difference in the nutritional content of food consumed by low-income children compared with those in affluent American families.

Overabundant Protein

One of the most serious forms of malnutrition is protein deficiency. Proteins are amino acids that act as the fundamental building blocks of life. Without a sufficient intake of protein, humans suffer growth retardation, impaired mental functioning, and fatigue; a very severe deficiency can lead to death. Fortunately, protein is abundant in many food sources including meat, milk, poultry, fish, soy, nuts, corn, and beans. Although protein deficiency still plagues developing nations, it is essentially non-existent in the United States.

As part of the NHANES II survey, CDC offices analyzed serum albumin levels among Americans. Low levels of serum albumin, the most common protein in the blood, are the clearest indicator of protein-caloric malnutrition. Of a total representative sample of 15,457 persons, however, only 19 individuals, or less than one-tenth of 1 percent, showed signs of protein deficiency. Moreover, there were no differences between races or between poor and non-poor persons.

A 1985-1986 USDA food consumption survey likewise found no signs of protein deficiency among young children. Preschool children from families with incomes below 75 percent of the poverty level (\$8,242 for a family of four in 1985) consumed 54.4 grams of protein per day, compared with 53.6 grams for children in families with incomes above 300 percent of poverty (roughly \$33,000 for a family of four in 1985). Black preschool children consumed 56.9 grams of protein, compared with 52.4 grams for white children. Surprisingly, protein and calorie consumption was slightly higher among children in the central cities than in the suburbs. On average, protein intake of both poor and upper-middle-income children exceeded 200 percent of U.S. recommended standards.

Thus, as the *Nutrition Monitoring Update*, a summary report prepared jointly by the Department of Health and Human Services and the USDA, concluded in 1989: "Protein is not considered to be a current public health issue...there is no evidence of health problems associated

with deficiency or excess." Where protein deficiency does occur, it is not linked to poverty. Indeed, poor as well as affluent Americans of all ages have diets rich in meat and protein in comparison with the rest of the world, and greatly exceed recommended daily requirements.

From A to Zinc

As **Table 1** shows, consumption of essential vitamins and minerals among both high- and low-income preschool children also generally exceed USDA standards, often by more than 50 percent. In only a few instances does nutrient consumption fall below recommended levels. The few shortfalls that occur among poor children appear among higher-income children as well. The USDA data show not only that the average nutrient consumption of poor and higher-income children was very similar, but that the variation (or statistical spread around the average) was quite similar in both groups as well. Moreover, since the recommended USDA standards for consumption of vitamins and minerals are conservatively set above the levels needed for good health for most persons and USDA underestimates the nutrients in some foods due to lack of information—an average deficiency of a nutrient does not necessarily indicate a significant nutritional problem.

For example, the 1985 USDA study of pre-schoolers showed that average zinc consumption fell below recommended standards for both poor and higher-income children by some 25 percent. But the NHANES II

On average, protein intake of both poor and upper-middle-income children exceeds 200 percent of U.S. recommended daily requirements.

hematological study found only 2 to 3 percent of all children had low serum zinc levels. Low serum zinc was only slightly more common among poor children. Zinc aids in the metabolism of protein. Severe deficiencies can lead to stunted growth, increased susceptibility to infection, and mental lethargy, and may even contribute to sickle cell anemia. Peanut butter, meat, poultry, seafood, cheese, milk, and whole-grain cereals are all good sources of this trace mineral.

Similarly, while USDA surveys found that higher-income school-aged children consume much higher levels of fruit and fruit juice, the lower consumption of fruit among poor children did not result in vitamin C deficiency. The NHANES II hematological survey found no evidence of low levels of serum vitamin C among children under age 11. Between 1 and 2 percent of American teen-agers were found to have low serum vitamin C levels, but this was more common among non-poor than poor



Reuters/Bettmann

Eat your broccoli. It's high in vitamin C, calcium, and vitamin A.

teen-agers. Although vitamin C is abundant in fruits, especially oranges, lemons, and strawberries, it can be found in a number of other foods as well, including green peppers, brussel sprouts, tomatoes, and potatoes. Scientists are still not sure exactly how vitamin C is utilized by the body, but it does play a role in metabolizing protein. It also works to strengthen the immune system. A serious vitamin C deficiency can cause bleeding gums and reduce the body's natural ability to heal wounds. A complete lack of vitamin C in the diet is potentially fatal; it is also almost unheard of in modern times.

Calcium, which makes up 2 percent of the body weight of an adult, is another vital mineral. Not only does it build up teeth and bones, calcium also aids in proper nerve function, blood clotting, and muscle contraction, among other functions. Calcium deficiencies can lead to osteomalacia, a softening of the bones, or osteoporosis, a brittling of the bones. Fortunately, it is fairly easy to get through food sources an adequate amount of calcium. Two cups of milk a day for adults fulfills RDA requirements; three cups of milk takes care of the greater needs of adolescents. Broccoli and mustard greens are also good sources. The USDA consumption survey discovered that among preschoolers average calcium consumption for both poor and high-income children was slightly below recommended levels. Symptoms of calcium deficiency appear among middle-aged and older women, but are generally unrelated to economic class.

Better Eat Your Wheaties

The most common nutritional shortfall among Americans appears to be iron deficiency—a problem we share with most other developed nations. As a key component of hemoglobin, iron is essential to the blood

system's ability to absorb and deliver oxygen to the body. Periods of rapid body growth, such as infancy, adolescence, and pregnancy, increases the likelihood of iron deficiency, which can cause fatigue, impaired mental activity, and increased susceptibility to infection. Deficiency can be countered by eating foods rich in iron such as liver and other organ meats, egg yolks, raisins, dark leafy vegetables such as spinach, and legumes such as kidney beans, or by taking an iron supplement.

During the early 1970s there was concern that iron deficiency was causing high rates of anemia among poor young children. In 1974, the Centers for Disease Control began monitoring anemia among low-income preschool children deemed to be at high nutritional risk. Among this group the prevalence of anemia has been more than halved, falling from 7.8 percent in 1975 to 2.9 percent in 1985. The anemia rates for poor children are now quite low, although still slightly higher than the anemia rates for middle-class children.

Part of the decline in anemia is a result of the expansion of the Women, Infants, and Children (WIC) food program over the past two decades. However, the CDC data show that between 1975 and 1985 the most dramatic reductions in anemia occurred among poor children prior to enrollment in WIC. Similar reductions in anemia occurred among middle-class children not eligible for WIC. These dramatic changes were the result of improvements in iron levels in the general food supply as well as changes in food selected for young children. These improvements included: greater frequency and duration of breast feeding, increased substitution of iron-fortified infant formula for non-fortified milk, and increased use of iron-fortified cereals.

Moreover, while CDC data from the mid-1970s show significant declines in anemia among poor children after those children began participation in WIC, CDC data from the 1980s show WIC playing a diminishing role. The difference in anemia rates among poor children prior to enrollment in WIC and the anemia rates of poor children after participation in WIC shrank between 1975 and 1985. This suggests that the improved level of iron nutrients provided to children in general has meant that WIC has played a less significant, although still important, role in reducing iron deficiency among the poor in recent years.

Honey, I Shrunk the Kids

The effects of malnutrition are evident not only in blood chemistry but in a child's body structure as well. Thus, surveys of body structure are useful additions to food intake and biochemical studies as tools to detect malnutrition. Body weight relative to height, for instance, is the best indicator of adequate caloric intake. A child suffering from serious caloric underconsumption will exhibit low body weight relative to height—known as "thinness" or "wasting."

The CDC began monitoring wasting among poor children at risk of malnutrition in 1973. The CDC data show that thinness is not more common among impoverished children than among the general population. *Nutrition Monitoring in the United States*, produced jointly by the USDA and the Department of Health and Human

Services in 1986, concludes that "wasting does not constitute a significant health problem" among impoverished children in the United States.

In NHANES II, the CDC also measured general body fat among poor and non-poor children through a "skinfold test." In this test a specific width of flesh is pinched together to produce a skinfold. The width of the skinfold is then measured with calipers that give a specific measure of the individual's body fat level.

Skinfold tests show that poor girls, on average, are plumper than non-poor girls. Poor boys, on the other hand, have slightly less body fat than more affluent boys. But even in the case of poor and non-poor boys, the average difference in skinfold thickness is roughly one one-hundredth of an inch. This amounts to a difference of around 2 percent or one-tenth of a standard deviation—a minute difference detectable only with very precise measurement.

The NHANES II survey did find that poor children were roughly 1 percent, or a half-inch, shorter than non-poor children of the same age. However, the survey found no consistent evidence linking this lower height to lower levels of nutrition. The *Nutrition Monitor Update* cautions that many factors other than food consumption may contribute to the relative shortness of poor children. For example, parents' height, genetically transmitted to their offspring, is the strongest determinant of a child's height. Poor children, on average, have shorter parents than non-poor children. Emotional disturbances due to unstable family structure also tend to slow a child's growth, and family instability is also more common among poor households. Smoking by a mother during pregnancy and exposure to parental smoking in the home during childhood can be an additional cause of a child's stunted growth; both practices are more common among poor households. And low birth-weight, which is more common among poor children, has an effect on a child's height in subsequent years.

Eschewing the Fat

The most striking feature of the extensive government nutrition research on poor persons is, surprisingly, the high prevalence of obesity among poor adults. Nearly 45 percent of all poor adult women are overweight compared to 28 percent of non-poor women. The socioeconomic pattern of obesity in the United States is mirrored in all other developed nations: obesity is most common among low-income groups and declines as income rises. By contrast, in developing economies this pattern is reversed: as an individual's socioeconomic status increases, the probability of obesity increases as well. Within developing nations, economic constraints limit the food available to lower-income persons; as individuals climb the socioeconomic ladder within these developing societies the economic constraints diminish and the rate of obesity rises. But in developed societies, food is abundantly available in all income classes; obesity is controlled by a self-conscious discipline that occurs more often among higher socioeconomic groups.

Excessive weight or obesity is a serious medical problem. Obesity contributes to high blood pressure, diabetes, cardiovascular disease, and some types of can-

TABLE 1

Average Per-Capita Consumption of Nutriments as a Percentage of Recommended Daily Allowances Children Under Age 6 in 1985

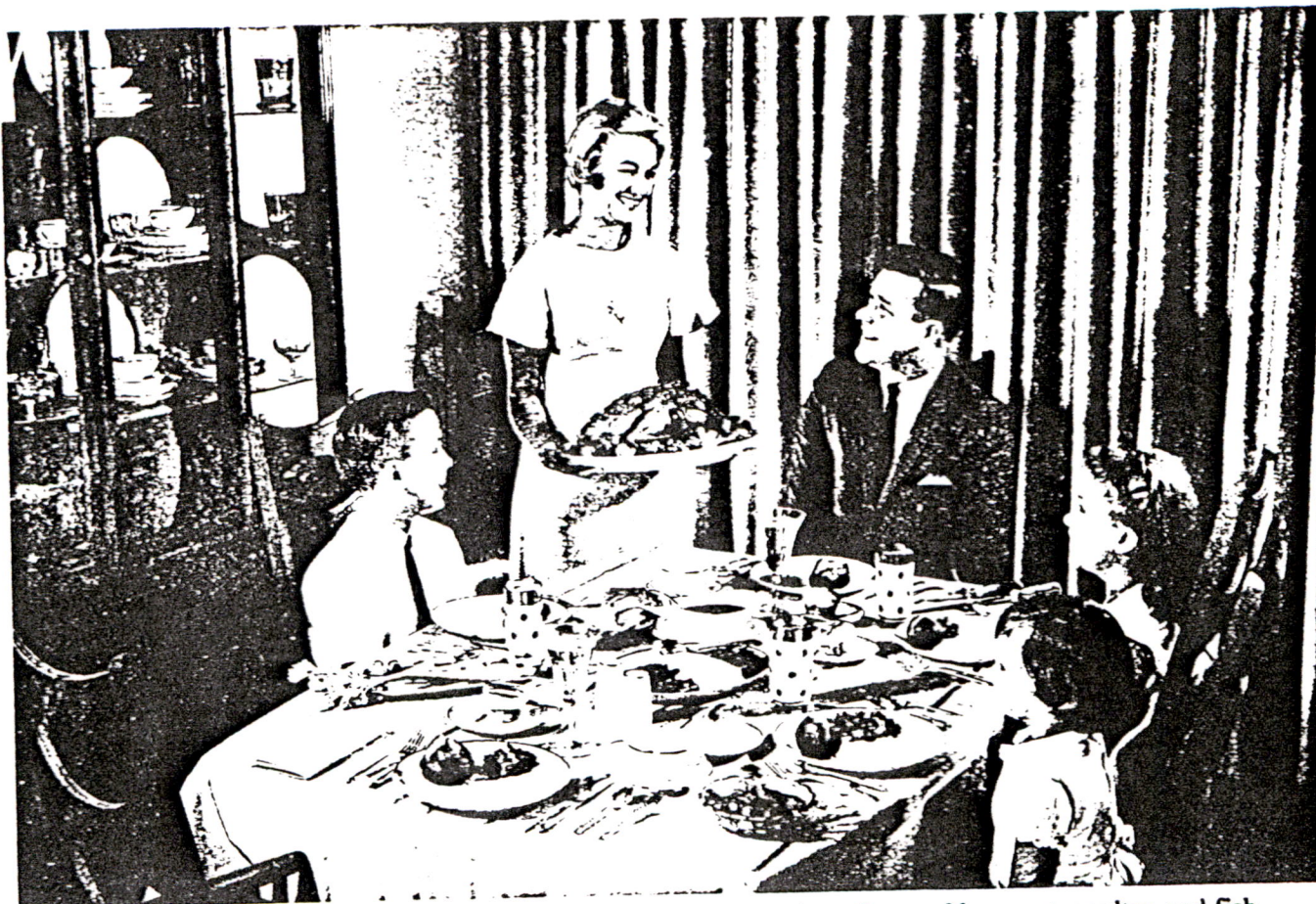
	Family Income Below 75% of Poverty Threshold	Family Income Above 300% of Poverty Threshold
Protein	211	213
Vitamin B-12	211	164
Thiamin	192	152
Vitamin A	186	230
Vitamin C	179	164
Riboflavin	181	182
Folacin	149	158
Niacin	138	145
Phosphorous	120	127
Vitamin B-6	113	133
Vitamin E	113	102
Magnesium	105	126
Calcium	94	99
Zinc	76	73

Source: USDA, *Low Income Women 19-50 Years and Their Children 1-5 Years, 4 Days*, pp. 64-65, 72-73

cer, which can all significantly reduce life expectancy. The poor suffer from these problems disproportionately. By contrast, there is no indication among the poor of any prevalence of the medical problems caused by consistent caloric insufficiency.

It is possible, of course, to be overweight and undernourished. Indeed, a common political explanation for the high prevalence of obesity among poor adults is that lack of money forces the poor to consume too many "empty calories," in products such as potato chips or Twinkies. There are two flaws to this argument. First, the "nutrient density" (nutrients per 1,000 calories) of foods eaten by the poor in general is only 4 percent lower than that in foods consumed by high-income persons. Second, nutrient intakes of poor and non-poor adults are quite similar, and there is no clinical or hematological evidence of widespread deficiencies. Deficiencies that do occur, such as calcium and iron intakes among poor women, occur to a very similar degree among higher-income women as well. In fact, there is no evidence that obese poor adults eat more calories than the average person; the more probable cause of obesity among the poor seems to be lack of adequate exercise.

There is also no evidence that poor families are forced by financial pressures to eat cheap and unhealthy foods. The USDA food consumption surveys show that poor households actually purchase foods quite efficiently, in general obtaining more protein and other nutrients per dollar of food expenditure than typical affluent households. Moreover, poor households generally do not eat more total fat or saturated fat as a share of total diet than do non-poor households. And poor households



Archive Photos/Harold Lambert

Among the 20 percent of poorest households today, consumption of vegetables, meat, poultry, and fish actually exceeds consumption among the general population in the mid-1950s.

actually eat slightly more complex carbohydrates—a healthy food item—than do affluent households, and less unhealthy cheap simple sugars.

As Table 2 shows, poor persons, moreover, actually have lower levels of serum cholesterol relative to higher-income persons of the same gender, age, and race. And dangerously high levels of serum cholesterol are more common among the non-poor than the poor.

Better Than Ozzie and Harriet

Historical data show a consistent “upscaling” of the diets of low-income Americans over time. Today, among the 20 percent of households with the lowest incomes, consumption of vegetables actually exceeds consumption among the general population in the mid-1950s. Low-income Americans today consume about 20 percent more meat, poultry, and fish than did the average citizen in 1955. And current low-income consumption of meat, poultry, and fish is nearly 70 percent greater than the average per-capita consumption of these items in urban households in 1948.

Beef consumption, often considered a symbol of diets of the prosperous middle-class, has shown a similar increase. Current per-capita beef consumption among low-income households exceeds average consumption in the U.S. in 1955 by 35 percent. Most strikingly, per-capita beef consumption among the current lowest economic quintile tops beef consumption among the most affluent 5 percent of urban households in 1948 by nearly a third.

Consumption of frivolous items such as soft drinks is 100 percent greater among low-income persons today than among the general population in the mid-1950s. By contrast, inexpensive foods such as potatoes, bread, and flour are consumed by low-income individuals today at rates 25 to 50 percent below that of the general population in the 1950s.

The increasing levels of meat consumption and declining levels of grain consumption among the poor are further evidence that these households are not suffering from recurring hunger. Poor persons on average eat roughly the same amount of meat, poultry, and fish as do higher-income persons, with resulting protein intakes well above recommended levels. As noted, poor children actually consume more meat products than do higher-income children and have average protein intakes 100 percent above recommended levels.

While meat is a good source of protein, it is an extremely expensive source of calories. Calories provided through inexpensive meats still cost roughly five times as much as calories obtained from grain products. It is simply not plausible that poor families would maintain the same level of meat consumption as high-income families while suffering, as FRAC contends, from recurring empty refrigerators and empty stomachs. If so, the empty stomachs could readily be filled through a slight reduction in meat purchases and an increase in less expensive although still healthful bulk foods. Indeed, many nutritionists would argue that reducing meat and

increasing grain consumption would actually be healthier for most Americans, rich and poor.

Land of Milk and Honey

In general, poor Americans, young and old, are well-nourished. The poor do not suffer from food shortages nor are they forced by penury to consume less healthy foods than the rest of Americans. There is no evidence of widespread hunger and undernutrition. To the contrary, the *Nutrition Monitoring Update* summary report, issued by USDA and HHS in 1989, concludes that among persons at all income levels: "The principal nutrition-related health problems experienced by Americans continue to be related to the overconsumption of some nutrients and food components, particularly food energy [i.e., calories], fat, saturated fatty acids, cholesterol, [and] sodium." The report identifies five nutrition-related public health problems affecting U.S. citizens: obesity from excess calories; high serum cholesterol from excess consumption of fat, saturated fats, and cholesterol; hypertension promoted by high sodium intake; osteoporosis (loss of bone mass) from low calcium consumption; and anemia from low iron consumption. With the possible exception of iron-deficiency anemia, which is slightly more frequent among the poor, none of these health conditions can be attributed to poverty-induced undernutrition.

Moreover, even in the case of nutrient shortfalls among the poor like calcium and iron, it is unlikely that the broad expansion of food assistance programs, promoted by FRAC and other liberal organizations, would alleviate the specific nutritional problems. There are two reasons for this. First, providing food aid does not necessarily increase the amount of money a family

The top nutrition-related health problem among poor Americans is not hunger and undernutrition—but obesity.

spends on food. Research by the Congressional Budget Office has shown that if the average family is given \$100 in food stamps it will decrease its cash spending on food by \$43. Thus \$100 in food aid results in only \$57 in increased food expenditures. Second, an increase in food spending does not necessarily lead to an increase in consumption of specific nutrients because there is no guarantee the funds will be spent to buy foods that have high levels of those nutrients. This is particularly true in the case of nutrients, such as calcium, zinc, and iron, that tend to be underconsumed by both high- and low-income families.

A more effective way to address potential specific vitamin or mineral deficiencies among poor persons

TABLE 2

Percentage of Adults with High-Risk Serum Cholesterol

	Income Below Poverty	Income Above Poverty
Males		
Age 25-34	24.7	18.9
Age 35-44	13.5	21.3
Age 45-54	13.9	21.3
Age 55-64	12.6	23.2
Age 65-74	13.4	19.0
Females		
Age 25-34	15.9	17.8
Age 35-44	12.4	13.5
Age 45-54	23.0	22.5
Age 55-64	29.3	36.3
Age 65-74	29.6	35.5

Source: USDA, *Nutrition Monitoring in the United States*, 1986, p. 320

would be to increase the levels of these nutrients provided through existing food programs. Example: calcium and iron deficiencies among poor mothers could be addressed by providing mineral supplements to these women as part of the WIC and Food Stamp programs. Potential iron or zinc deficiencies among poor children could be addressed by raising the level of these nutrients in foods provided through the WIC and School Lunch programs. Equally important, poor persons must be more effectively informed of the health hazards of obesity, and high fat and sodium consumption.

Best-Nourished Generation in History

At the turn of this century, as many as 10,000 Americans died annually from pellagra, a disease caused by vitamin B deficiency. Such diseases caused by undernutrition have today all but disappeared in this country. Nutrition-related health problems in the United States today are caused by obesity and consumption of unhealthy foods, not by food shortages.

The current generation of American children—even poor children—is undoubtedly among the best nourished in human history. Yet poor children do face devastating problems: escalating crime, disintegrating families, communities where the positive role models of working adults are often missing, and government schools that can no longer physically protect let alone educate them. But chronic hunger and widespread undernutrition are not problems for poor children. Perhaps the most regrettable consequence of FRAC's bogus hunger survey is that it distracts public attention from the overwhelming real problems facing poor children, problems desperately in need of creative solutions. ■

August 2, 1991

HUNGER AND MALNUTRITION AMONG AMERICAN CHILDREN

INTRODUCTION

*A startling number of American children are in danger of starving...
one out of eight American children is going hungry tonight.*

So began a CBS Evening News broadcast last March 27th.¹

Its headline-grabbing conclusion came from a survey conducted by the "Food Research Action Center" (FRAC), a liberal advocacy group, and sponsored by Kraft General Foods, Inc., one of America's largest food processing companies. As it turns out, FRAC claimed that one of eight children in America had been "hungry" at some time during the prior year, not each night, as CBS reported. Yet the mistake made by CBS has passed into press and political folklore as conventional wisdom. The FRAC study received saturation coverage in the press, including stories in the *Boston Globe*, the *Chicago Tribune*, the *Christian Science Monitor*, the *New York Times*, *USA Today*, and the *Washington Post*.

Subjective Questions. What is worse, CBS not only exaggerated the study's conclusion, the study itself is flawed and completely contradicted by serious, scientific surveys. Unlike other studies, the FRAC survey did not measure actual food consumption or physiological indices of nutritional status among poor persons. Instead, FRAC asked American families highly subjective questions about whether they would like to have more or a wider variety of foods.

¹ Media Research Center, "Media Eat Up Hunger Study," *Media Watch*, April 1991, p. 1.

Disproving FRAC's conclusions (and the press distortions of them) are extensive, scientific surveys conducted by the Food and Nutrition Service of the U.S. Department of Agriculture and the U.S. Department of Health and Human Services. These studies actually measure the levels of food consumption and malnutrition in America. Among their findings:

- ◆ **There is little evidence of hunger or insufficient caloric intake among poor children.** The Atlanta-based Centers for Disease Control, the federal agency that monitors disease, reports that poor children are no more likely to experience clinical "thinness" (very low body weight relative to height) than are children in the general population.
- ◆ **There is no evidence of protein deficiency among American adults or children, rich or poor,** according to the Centers for Disease Control 1976-1980 Health and Nutritional Examination Survey, which measures protein levels in the blood.
- ◆ **Protein, vitamin, and mineral consumption by poor children under age six are in almost all cases well above recommended norms,** according to a 1985 United States Department of Agriculture survey of the actual food consumption of these children. Little difference was found between the level of nutrients consumed by poor and affluent children.
- ◆ **"Overweight not underweight is a major problem in the U.S."** according to *Nutrition Monitoring in the United States*, a joint report of the U.S. Department of Health and Human Services and the U.S. Department of Agriculture.² Being overweight is far more prevalent among the poor than among the affluent. Some 40 percent of poor adult women are overweight. Being overweight, as it is widely recognized, contributes to such serious medical problems as heart disease, high blood pressure, diabetes, and some types of cancer. The major nutrition-related health problems among poor Americans are not due to hunger or undernutrition.

Other FRAC findings and statements are as unreliable as its statements on nutrition. FRAC, for example, claims that the recent ostensible increases in hunger result from spending cuts on food assistance during the Reagan presidency. In fact, federal, state, and local spending levels, measured in inflation-adjusted

² U.S. Department of Health and Human Services and U.S. Department of Agriculture, *Nutrition Monitoring in the United States — A Report from the Joint Nutrition Monitoring Evaluation Committee*. DHHS Publication No. (PHS) 86-1255. Public Health Service (Washington, D.C.: U.S. Government Printing Office, July 1986), p. 52.

dollars, increased in the 1980s. Last year, government spending on food assistance was 68 percent higher in constant dollars than in 1975.

Overall, there is no evidence of protein or calorie deficiency among poor children or adults.³ Some poor children may experience shortfalls in specific minerals or vitamins but similar shortfalls will occur among higher-income children as well. FRAC's claim that poor families suffer from chronic empty stomachs and physical food shortages is belied by the high rate of obesity among poor adults as well as the high level of protein and meat consumption among poor persons. This pattern of food consumption is relatively expensive and is unlikely to occur among households that consistently run out of food to eat.

Abundant Reliable Data. The "findings" of the FRAC study survey are already being used by Representative Leon Panetta, the California Democrat, to justify increased spending on food assistance. In fact, FRAC is promoting state policies to address problems which do not really exist. Instead of relying upon answers to leading questions, such as those posed by FRAC, federal policy makers and citizen groups concerned about America's poor should base policy on the scientific data abundantly available from government agencies like the departments of Agriculture and Health and Human Services. Such reliable data enable policy makers to determine what nutritional deficiencies actually exist and to address genuine health problems arising from obesity and overconsumption of unhealthy foods such as fat rather than allegedly widespread hunger.

As serious, the unsubstantiated and then distorted FRAC claims distract from the real problems facing poor families and children: escalating crime, growing illegitimate birth rates and family disintegration; prolonged welfare dependence and the virtual collapse of the work ethic throughout low-income communities; and government schools that can no longer even protect the physical safety of poor children, let alone educate them.

HOW FRAC "DISCOVERED" WIDESPREAD HUNGER

In contrast to the surveys conducted by the U.S. Department of Agriculture (USDA) and the Centers for Disease Control (CDC), the FRAC study did not actually measure food consumption, physiological status, or obesity. FRAC merely asked parents vague and subjective questions.

Example: "Thinking about the past 12 months, did you ever rely on a limited number of foods to feed your children because you were running out of money to buy food for a meal?"

³Undernutrition likely will occur among poor children who are victims of chronic child abuse. Under-nutrition also may appear among adults who abuse alcohol or drugs or who are mentally ill. However, these problems are not due to failure of government food programs and are unlikely to be resolved by changes in food assistance policy.

Example: "Thinking about the past 12 months, did you or adult members of your household ever cut the size of meals or skip meals because there was not enough money for food?"

Clear and concrete questions, such as the number of times children were forced to skip meals entirely due to a lack of food, were not asked. Instead, the FRAC questions focus mainly on whether a family would like extra money to buy more, different, or better quality food. Predictably, such leading questions led FRAC to discover that many low-income households were hungry. The same method led FRAC to conclude that more than 5 percent of families with incomes over \$25,000 per year were "hungry" as well.⁴ Complained Mickey Kaus in the *New Republic*: "The whole project oozes phoniness."⁵

While FRAC's survey questions were vague, its policy proposals are not. FRAC proposes, for example:

- ◆ **An aggressive publicity program to promote use of the Food Stamp program to combat putative hunger.**
- ◆ **Increasing funding of the Women, Infants, and Children (WIC) food program until all eligible families receive aid.⁶**
- ◆ **Expanding the School Breakfast program, noting that while nearly all schools offer free lunches to poor children, many do not offer free breakfasts.**

FRAC's claim that one-third of families eligible for Food Stamps do not receive them is correct. But this does not necessarily mean that there is a real need for these families to begin receiving them. USDA studies conducted during the Carter Administration, when there was also concern that Food Stamps were not reaching many eligible families, found that families eligible for Food Stamps, but not participating, generally had higher incomes than families which did receive food stamps. On average these non-participating families would have been eligible to receive only a small amount of Food Stamp aid. Moreover, the USDA study did not find these families to be malnourished; in fact, the study found few significant nutritional differences between eligible but non-participating families and families actually receiving Food Stamps.⁷

4 Food Research and Action Center, *A Survey of Childhood Hunger in the United States*, Community Childhood Hunger Identification Project, 1991, p. 62

5 Mickey Kaus, "Facts for Hacks," *The New Republic*, May 20, 1991, p. 23.

6 WIC is not an open-ended entitlement program. Its funding is limited by annual appropriations and is not sufficient to provide benefits to all theoretically eligible persons. FRAC seeks to expand WIC funding to cover all eligible persons.

7 U.S. Department of Agriculture, Human Nutrition Information Service, *Food Consumption and Dietary Levels of Low-Income Households November 1979 - March 1980* (Washington, D.C.: U.S. Department of Agriculture, 1987), pp. 23-25.

Misguided Proposal. Likewise, FRAC's proposed expansion of WIC is misguided. Most poor families eligible for WIC already receive assistance, but other families earning up to \$24,000 per year are also eligible for WIC aid. FRAC seeks to expand WIC assistance provided to these higher income families. But the "needy" families to which FRAC wishes to extend WIC services — and many now receiving WIC — have money taken out of their paychecks to pay federal taxes. A family of four earning \$16,000 per year now pays about \$2,000 to the federal government in taxes. A family earning \$24,000 per year pays \$5,127. Thus, in effect, FRAC proposes taking money out of a family's paycheck through taxes on Friday and then giving them free orange juice through WIC on Monday. To the extent that these families find it hard to afford food, the obvious alternative is simply to reduce their taxes.

FRAC urges expansion of the School Breakfast Program, arguing that poor children who eat breakfast will be less fatigued and will learn more during the school day. But research has shown that the availability of the School Breakfast program at a school does not increase the probability that poor students at that school will eat breakfast, nor does active participation in the breakfast program increase a poor child's overall nutritional intake.⁸

THE MYTH OF AMERICAN MALNUTRITION

The FRAC report defines hunger as "a physical condition that comes from not eating enough food due to insufficient economic... resources."⁹ According to FRAC, hunger is a state of "chronic mild undernutrition."¹⁰

Malnutrition is caused by the significant over- or under-consumption of nutrients. The human body requires three basic types of nutriment: calories (fuel for the body), proteins (the amino acids that are the building blocks of bone and tissue), and minerals and vitamins (the catalysts for vital body functions).

Detailed scientific data exist on the consumption of these nutrients by Americans at different income levels. The federal government establishes a poverty income threshold each year and families with incomes below this threshold are defined as poor. In 1989 the poverty income threshold for a family of four was \$12,675. Children living in these families, according to the data, consume high levels of calories, protein, vitamins, and minerals.

The federal government compiles its nutrition data through detailed and precise surveys that, of course, are far more elaborate and exact than FRAC's vague questions. Since the 1930s, in fact, the U.S. Department of Agriculture has conducted "food consumption surveys," extensively interviewing representative households

⁸ Barbara Devaney and Thomas Fraker, "The Dietary Impacts of the School Breakfast Program," *American Agricultural Economics Association*, 1989, pp. 932-948.

⁹ *Survey of Childhood Hunger in the United States*, op. cit., p. 2.

¹⁰ *Ibid.*

to determine how much food is consumed on various days throughout the year. These surveys permit comparisons of average food consumption in households from different socio-economic strata.

In 1985, the USDA thoroughly surveyed the food consumption and nutritional status of pre-school children and young mothers. It found little evidence of under-nutrition among the poor. To the contrary, it found that children in low-income families consume food with just about the same nutritional content as do children in affluent American families.¹¹

Example: Children in families with incomes below 75 percent of the poverty level (roughly \$8,242 for a family of four in 1985) consume 54.4 grams of protein per day, compared with 53.6 grams for children in families with incomes above 300 percent of poverty (roughly \$33,000 for a family of four in 1985).¹²

Example: Black pre-school children consume 56.9 grams of protein per day, compared with 52.4 grams for white children.¹³

Example: Children in the central cities consume slightly more protein and calories than do children in the suburbs.¹⁴

¹¹The USDA food consumption data not only show that the average consumption of nutrients between poor and higher-income children is similar, but also that the variances from the average intakes in both income groups are similar. This reinforces the argument that poor children are not significantly undernourished relative to higher income children.

¹² Human Nutrition Information Service, U.S. Department of Agriculture, *Low Income Women 19-50 Years and Their Children 1-5 Years, 4 Days: 1985*, CSF II Report 85-5 (Washington, D.C.: U.S. Department of Agriculture, 1988), p. 50. Human Nutrition Information Service, U.S. Department of Agriculture, *Women 19-50 Years and Their Children 1-5 Years, 4 Days: 1985*, CSF II Report No. 85-4 (Washington, D.C.: U.S. Department of Agriculture, 1987), p. 42.

¹³ *Women 19-50 Years*, *op. cit.*, p. 42.

¹⁴ *Ibid.*

As Table 1 indicates, average consumption of nutrients is very high for pre-school children in families of all income classes. Indeed, for children living in families with incomes below 75 percent of the poverty level, average daily protein consumption is 211 percent of recommended USDA Recommended Daily Allowances (RDA).¹⁵

Table 1 Average Per Capita Consumption of Nutriments as a Percentage of Recommended Daily Allowances 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	230
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: *Low Income Women 19-50 Years and Their Children 1-5 years, 4 Days*, op. cit., pp. 72-73. *Women 19-50 Years and Their Children 1-5 years, 4 Days, 1985*, op. cit. pp. 64-65.

¹⁵*Low Income Women 19-50 Years and Their Children 1-5 Years, 4 Days: 1985*, op. cit., p. 72.

Essential minerals and vitamins, meanwhile, are consumed by children in both high and low income families at levels often as much as 50 percent above USDA standards. In only a few instances does nutriment consumption fall below recommended levels. This is true of calcium consumption, which for both poor and high income families is slightly below the USDA level. Average zinc consumption also falls below recommended levels, but this shortfall is unrelated to income class.¹⁶ Since the recommended USDA standards for consumption of minerals and vitamins, are set above the levels needed for good health for most persons, an average deficiency does not necessarily indicate significant nutritional problems.¹⁷

Table 2 Average Per Capita Food Consumption By Gram Weight 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: *Low Income Women 19-50 Years and Their Children 1-5 years, 4 Days*, op. cit., pp. 14-36. *Women 19-50 Years and Their Children 1-5 years, 4 Days, 1985*, op. cit. pp. 14-36.

¹⁶ *Low Income Women 19-50 Years*, op. cit., p. 73. *Women 19-50 Years*, op. cit., p. 65. The 1985 food consumption survey also shows iron deficiency in all income classes. However, the USDA determined that the recommended daily allowance for iron per young children had been set too high. A new recommended daily iron intake for young children was established in 1989. According to this standard, the average intake of iron of both poor and non-poor children was sufficient.

¹⁷ *Nutrition Monitor*, 1986, p. 29. The federal government has a complex process of evaluating the nutritional status of the American population. The USDA food consumption surveys provide preliminary data on the nutrient intakes of various groups. If a group's average intake of a nutriment falls below the Recommended Dietary Allowance (RDA), this is not a definite indication of a nutritional deficiency. States *The Nutrition Monitor*: "... mean intakes of population groups falling well below the RDA can be taken as a rough indicators that further examination of the status of the population is needed." *Monitor*, 1989, op. cit., p. 16. Additional information on a group's nutritional status can be provided by hematological and biochemical tests, clinical examinations and body structure data. These will show clearer evidence on nutritional deficiency.

Table 2 shows the types of food consumed by poor and affluent children. As it turns out, poor children actually eat more fish, meat and poultry than do children in higher-income families. In other foods, the general consumption pattern is similar for both economic groups. Though higher-income family children do consume much higher levels of fruit and fruit juice, lower consumption by poor children does not result in Vitamin C deficiency.

THE SCIENTIFIC SEARCH FOR SIGNS OF MALNUTRITION

The federal government supplements its extensive food consumption surveys with periodic physiological surveys of Americans. Between 1976 and 1980, for instance, the Centers for Disease Control conducted the National Health and Nutrition Examination Survey II (NHANES II) analyzing blood, urine, and physical characteristics in the U.S. population. Based on a representative sample of tens of thousands of Americans, the NHANES II data were used to gauge levels of vitamin, mineral and protein intake.

Protein. As part of the 1976-80 NHANES II survey, CDC offices analyzed the blood's most common protein, serum albumin. Low levels of serum albumin are the strongest indicator of protein-caloric malnutrition. Protein deficiency is dangerous; it retards growth, impairs mental functions and causes fatigue. Starvation, in fact, results from massive and prolonged protein-caloric deficiency.

The NHANES II survey found protein deficiency in only 19 individuals out of the 15,457 persons in the representative sample surveyed. This is less than one-tenth of 1 percent. There were no differences, moreover, between races or between poor and non-poor persons.¹⁸ Thus concluded the *Nutrition Monitoring Update*, a joint report prepared by the Department of Health and Human Services (HHS) and the USDA in 1989: "Protein is not considered to be a current public health issue...there is no evidence of health problems associated with deficiency or excess."¹⁹ The report added that protein deficiency in America is "essentially non-existent." Those few instances when it does occur are not linked to poverty. Indeed, poor as well as affluent Americans have protein-rich diets in comparison with the rest of the world.²⁰

¹⁸ *Nutrition Monitoring in the United States*:1986, *op. cit.*, p. 65.

¹⁹ Life Sciences Research Office, Federation of American Societies for Experimental Biology, *Nutrition Monitoring in The United States: An Update on Nutrition Monitoring*, Report prepared for the U.S. Department of Agriculture and the U.S. Department of Health and Human Services (Washington D.C.:U.S. Government Printing Office, September 1989), p. 51.

²⁰ Robert Rector, Kate Walsh O'Beirne, and Michael McLaughlin, "How 'Poor' are America's Poor?" Heritage Foundation, *Backgrounders* No. 791, September 21, 1990.

Minerals and Vitamins. NHANES II analyzed children's blood for a variety of mineral and vitamin deficiencies. Such deficiencies were found to be rare and largely unrelated to economic status. Example: NHANES II found no evidence of low levels of serum Vitamin C among children under eleven. While from 1 percent to 2 percent of American teenagers have low serum Vitamin C levels, this actually is more common among non-poor than poor teenagers.²¹ A deficiency slightly more prevalent among children from poor families is low serum zinc levels; yet even this is found in only among 2 percent to 3 percent of all children.²²

Iron Deficiency. Iron is the nutrient most commonly deficient in America, as it is in most other developed nations. As a key component of hemoglobin, iron is essential to blood's ability to absorb and deliver oxygen to the body. Iron deficiency most frequently occurs in periods of rapid body growth, like infancy, adolescence, and pregnancy, and can reduce work performance, cause fatigue, impair mental activity, and increase susceptibility to infection.

During the early 1970s there was concern that iron deficiency was causing high rates of anemia (low blood cell levels per volume of blood fluid) among poor young children. This concern prompted the Centers for Disease Control in 1974 to begin monitoring anemia among those low-income pre-school children deemed at high nutritional risk. In 1975, the CDC found a 7.8 percent incidence of anemia in this group. By 1985 anemia among low-income children had been more than halved down to 2.9 percent.²³ The anemia rates for poor children are now quite low, though still slightly higher than the anemia rates for middle-class children.²⁴

Part of the decline in anemia is a result of the expanded Women, Infants and Children program. Yet the most dramatic reductions in anemia from 1975 to 1985 occurred among poor children before their enrollment in WIC. Similar reductions in anemia occurred among middle class children not eligible for WIC.²⁵ These dramatic improvements resulted from increases in iron levels in the general food supply and from changes what young children were eating. These improvements in high- and low-income families included: greater frequency and duration of breast feeding, increased substitution of iron-fortified infant formula for non-fortified milk, and increased use of iron-fortified cereals.²⁶

²¹ *Nutrition Monitoring in the United States*:1986, *op. cit.*, p. 148.

²² *Ibid.*, p. 186.

²³ Ray Yip *et al.*, "Declining Prevalence of Anemia Among Low-Income Children in the United States," *JAMA*, September 25, 1987:258 pp. 1619-1623.

²⁴ Interview with Dr. Ray Yip of the Centers for Disease Control, July 17, 1991.

²⁵ Ray Yip *et al.*, "Declining Prevalence of Anemia in Childhood in a Middle-Class Setting: A Pediatric Success Story?" *Pediatrics*, September 1987:80 No. 3 pp.330-334.

²⁶ "Declining Prevalence of Anemia Among Low-Income Children," *op. cit.*, p. 1622.

While CDC data from the mid 1970s show significant declines in anemia among children from poor families after those children began participation in WIC, CDC data from the 1980s show WIC playing a diminishing role. The difference in anemia rates among poor children prior to enrollment in WIC and the anemia rates of such children after participation in WIC shrank between 1975 and 1985.²⁷ This suggests that the increased level of iron nutrients consumed by children in general has meant that WIC has played a less significant, though still important, role reducing iron deficiency among the poor in recent years.

MALNUTRITION AND BODY STRUCTURE

The effects of malnutrition are evident not only in blood chemistry but also in a child's body structure. Body weight relative to height, for instance, is the best indicator of adequate caloric intake.²⁸ A child who consumes far too few calories will have low body weight relative to height, a condition known as "thinness" or "wasting."²⁹ In detecting malnutrition, therefore, surveys of body structure are important supplements to food intake studies.

The CDC in 1973 began monitoring "thinness" or "wasting" among poor children. The CDC data show that "thinness" is no more common among impoverished children than among the general population. Concludes the *Nutrition Monitor* report produced by the USDA and HHS in 1986: "Wasting does not constitute a significant health problem" among America's impoverished children.³⁰

Poor girls have roughly the same level of general body fat as non-poor girls of the same age up to their early teenage years. After that, poor girls begin adding markedly more body fat and are more likely to become obese than are non-poor girls. By contrast, poor boys have slightly less body fat than more affluent boys up to the teen years, but after that have roughly the same body fat.³¹

²⁷ *Ibid.*

²⁸ *Nutrition Monitoring in the United States: 1986, op. cit.*, p. 51.

²⁹ *Nutrition Monitor, 1986, op. cit.*, p. 198.

³⁰ *Ibid.*, p. 199.

³¹ Stanley M. Garn *et al.*, "Differential Fatness Gain of Low Income Boys and Girls," *The American Journal of Clinical Nutrition*, August 1981: 34 pp. 1465-1468.

While the NHANES II survey did find that poor children were roughly 1 percent, or a half inch, shorter than non-poor children of the same age,³² the survey found no consistent evidence linking lower height to lower levels of nutrition.³³ The *Monitor Update* report cautions that many factors may contribute to the relative shortness of poor children.³⁴

Parents' height, genetically transmitted to offspring, is the strongest determinant of a child's height. Poor children, on average, have shorter parents than non-poor children.³⁵

A child's height and growth may also be reduced by: emotional disturbances triggered by unstable family structure,³⁶ smoking by a mother during pregnancy, exposure to parental smoking in the home during childhood,³⁷ and low birth weight. Unstable families, smoking during pregnancy and in the household, and low birth weight all are more common among children from poor families than those from non-poor families.³⁸

HUNGER AND OBESITY IN AMERICAN FAMILIES

FRAC and others citing hunger as one of America's most pressing problems typically paint a dismal picture of millions of malnourished poor families with bare cupboards and empty refrigerators, of parents who skip meals so that children may eat, and of children going to bed on empty stomachs.

32 Based on children aged 6 to 11.

33 D. Yvonne Jones *et al.*, "Influences in Child Growth Associated With Poverty in the 1970s; an Examination of HANES I and HANES II, Cross-Sectional U.S. National Survey 1-3," *The American Journal of Clinical Nutrition*, October 1985:42 pp. 714-724.

34 *Ibid.*, p. 721.

35 George R. Kerr *et al.*, "Height Distributions of U.S. Children: Associations with Race, Poverty Status and Parental Size," *Growth*, 1982:46 pp. 135-149.

36 *Nutrition Monitoring in the United States*: 1989 *op. cit.*, p. 86.

37 Peter C. Elwood *et al.*, "Growth of Children From 0-5 years: With Special Reference to Mother's Smoking in Pregnancy," *Annals of Human Biology* 1987:14 No. 6, pp. 543-557.

38 Nancy J. Binkin *et al.*, "Birth Weight and Childhood Growth," *Pediatrics*, 1988:82 No 6, pp. 828-834.

This picture, however, is contradicted by all available facts, particularly the high prevalence of obesity among poor adults. Persons who consistently lack enough food to eat become underweight, but being underweight is not a problem among the poor. By contrast, clinical obesity is a genuine, serious health problem among poor adults.³⁹ Nearly 40 percent of all poor adult women are overweight; a poor adult woman, moreover, is 40 percent more likely to be overweight than a non-poor woman.⁴⁰ Overweight is particularly severe among black women.⁴¹

States *The Nutrition Monitor*, "Obesity is more prevalent among the poor indicating an imbalance of energy intake to energy expenditure. Many of the health problems of the poor are related to obesity."⁴² Excessive weight or obesity contributes to high blood pressure, diabetes, cardio-vascular disease, and some types of cancer. By contrast, there is no indication among the poor of any prevalence of the medical problems caused by consistent caloric insufficiency.

It is possible, of course, to be overweight and malnourished. This could occur through the over-consumption of calories and the under-consumption of minerals, protein, and vitamins, but government surveys indicate that this probably is not what is happening. They reveal that when the poor suffer vitamin and mineral shortages, they do so in ways similar to upper-income adults.⁴³

Efficient Purchasers. There is also no evidence that poor families are forced by financial pressures to eat cheap and unhealthy foods. To the contrary. Surveys find that poor households purchase foods quite efficiently. In fact, the poor generally buy more protein and other nutriment per dollar of food expenditure than do

39 *Nutrition Monitoring in the United States*: 1989 *op. cit.*, p. II 32.

40 *Nutrition Monitoring in the United States*: 1986 *op. cit.*, p. 302.

41 Each individual has an energy balance: the relation between food energy (calorie) intake and energy expenditure. Energy expenditure is determined by the body's base metabolic rate plus the level of physical activity. Consistent caloric/energy intake in excess of energy expenditure causes overweight. This does not mean that overweight persons necessarily eat more than other individuals but simply that their caloric consumption is greater than their specific energy expenditure. However, an overweight person cannot be consistently hungry in the conventional sense of having insufficient bulk food and calories to consume. *Ibid.*, pp. 51-63.

42 *Ibid.*, p. 2.

43 Human Nutrition Information Service, U.S. Department of Agriculture, *Nationwide Food Consumption Survey Continuing Survey of Food Intakes by Individuals Men 19-50 Years, 1 Day:1985*, NFCS, CFS11 Report No. 85-3, (Washington D.C.:U.S. Department of Agriculture, 1986). *Low Income Women 19-50 Years and Women 19-50 Years*, *op. cit.* See also Shiriki Kamanyika, "Obesity in Black Women," *Epidemiological Review*, Vol. 9, 1987, pp. 39-45.

typical affluent households.⁴⁴ Poor households, moreover, generally do not eat more fat as a share of total diet than do non-poor households.⁴⁵ And poor households actually eat less unhealthy cheap simple sugars and slightly more complex carbohydrates — a healthy food item — than do affluent households.⁴⁶

Poor persons actually have lower levels of serum cholesterol relative to higher-income persons of the same gender, age, and race.⁴⁷

That children in poor families do not suffer from food shortages and recurring caloric deficiency is confirmed further by surveys of the types of food eaten by poor families. As shown in Table 2, poor children on average eat more meat products than do higher-income children, while the average protein intake of poor children and adults is well above recommended standards. Much of this protein comes from meat, which today is eaten by poor households to about the same extent that it is by higher-income households.⁴⁸

Meat is relatively expensive. The high consumption of meat by the poor reflect's the poor's preference for meat over the much less expensive grain products, which provide a healthful source of bulk food and calories.⁴⁹

CUTS IN FOOD AID?

America's putative hunger problem is blamed by FRAC and others on the Reagan Presidency's putative cuts in food and welfare programs. In fact, total spending on federal and state welfare programs in constant dollars during the Reagan Presidency jumped by 18 percent from 1980 to 1988, reaching a grand total of \$184 billion per annum.⁵⁰ Aggregate spending on food assistance programs, measured in constant dollars by both federal and state governments also increased during the 1980s. After peaking during the recession of the mid

⁴⁴ *Nutrition Monitoring in the United States: 1986 op. cit.*, p. 56, 68.

⁴⁵ *Ibid.*, p. 75.

⁴⁶ *Ibid.*, P. 87.

⁴⁷ *Nutrition Monitoring in the United States: 1989 op. cit.*, pp. II 72-74.

⁴⁸ Rector, O'Beirne, and McLaughlin, *op. cit.*.

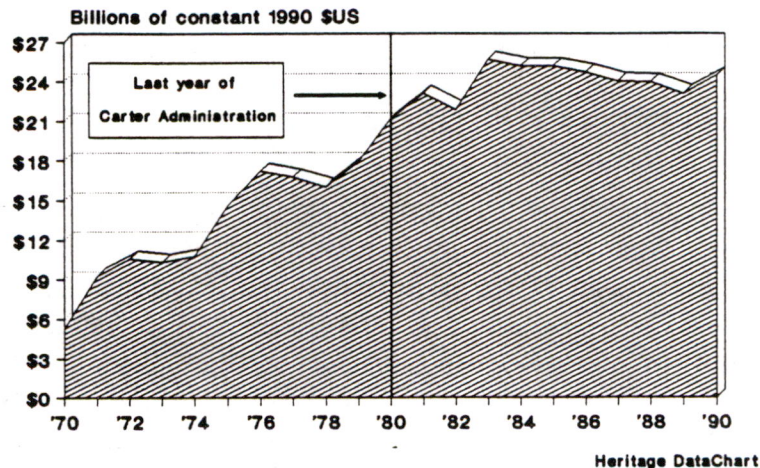
⁴⁹ Calories are a cheap nutriment. According to USDA, grains can supply one-fourth of a five-year-old child's calorie needs for roughly 17 cents a day. This is not to suggest that poor children should increase grain consumption, but it is simply intended to indicate that once a child's protein, mineral, and vitamin requirements have been met, as is the case with the average poor child, the marginal cost of providing extra calories is very low. Therefore it is unlikely for poor children to have very high intakes of protein, minerals and vitamins while suffering from calorie insufficiency. It is very unlikely for poor children to have the same level of meat consumption as an affluent child while still being calorically deprived or going to bed on an empty stomach.

⁵⁰ Rector, O'Beirne, and McLaughlin, *op. cit.*

1980s food assistance remained at \$24.4 billion in 1990. Adjusted for inflation this was 15 percent higher than spending in 1980 and 68 percent higher than spending in 1975.⁵¹

Graph 1

Total State and Federal Expenditures on Food Assistance Programs

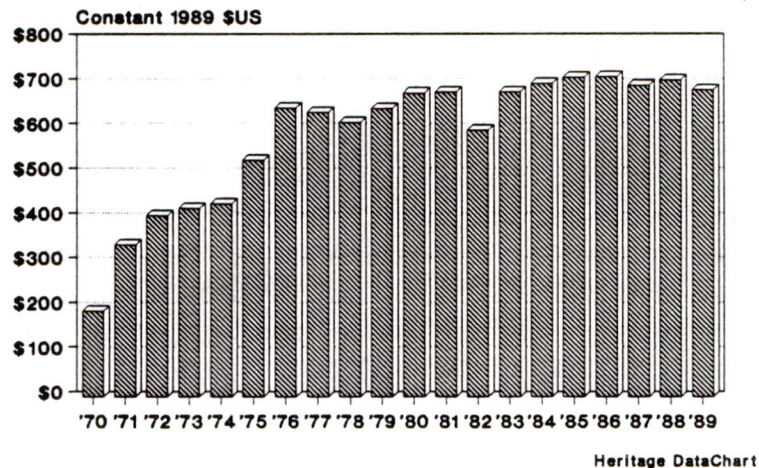


* Spending programs include: Food Stamps, WIC, School Lunch Program, Food Donation Programs, Child Nutrition Programs, among others.

Source: USDA, Food and Nutrition Service

Graph 2

Total Food Assistance Spending Per Poor Person



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

⁵¹ Expenditure figures provided by the Food and Nutrition Service of USDA. Figures have been adjusted for inflation according to the Bureau of Labor Statistics Consumer Price Index for food consumed in the home.

An analysis of per capita spending yields similar results. Graph 2 shows total spending on food assistance per poor person between 1970 and 1989 (the last year for which data on the number of poor persons are available.)⁵² In inflation-adjusted dollars, spending on food aid per poor person changed little during the 1980s; the value of government food assistance per poor person in 1989 remained roughly the same as in 1980. However, food aid per poor person today is far higher than in the 1970s. In inflation-adjusted terms, government food aid per poor person equalled \$687 in 1989 compared to \$529 in 1975.⁵³

POLICIES TO MEET NUTRITIONAL NEEDS

In general, poor Americans, young and old are relatively well nourished. Some poor Americans appear to have deficiencies in specific minerals or vitamins but higher-income persons have deficiencies in these same nutriment. Example: the 1985 Food Consumption Survey indicates that some low-income and high-income mothers consume insufficient levels of calcium, iron and zinc. Some poor and non-poor children may be deficient in zinc. But there is little reason to believe these specific nutriment shortfalls, will be addressed by the broad expansion of food programs recommended by FRAC. There are two reasons for this:

- 1) Giving a family food aid does not necessarily increase how much a family spends on food. Research by the Congressional Budget Office finds that the average family receiving \$100 in Food Stamps decreases its cash spending on food by \$43.⁵⁴ Thus \$100 in food aid results in only \$57 in increased food expenditures.
- 2) Even if poor families spend more on food, they will not necessarily buy more foods which are rich in the specific nutriment that they lack. This is particularly true of those nutriment that tend to be underconsumed by both high and low income families.

The way to correct potential specific vitamin or mineral deficiencies among poor persons is to increase the levels of these nutriment provided through existing food programs. Example: potential calcium, iron, or zinc deficiencies among poor mothers could be addressed by providing mineral supplements to these women as part of the WIC and Food Stamp programs. Poor children could be given increased zinc through foods provided through the WIC and School Lunch programs.

⁵² The figures in graph 2 are intended to show trends in expenditures relative to the poverty population, not absolute benefit levels. Because some food assistance goes to persons with incomes above the poverty level, the figures should not be construed to represent the average value of food assistance received by poor persons.

⁵³ Expenditure totals provided by Food and Nutrition Service, USDA. All figures are in 1989 dollars.

⁵⁴ Congressional Budget Office. "The Food Stamp Program: Income or Food Supplementation?" (Washington D.C.: U.S. Government Printing Office, January 1977).

CONCLUSION

At the turn of this century, as many as 10,000 Americans died annually from pellagra, a disease caused by vitamin B deficiency.⁵⁵ Such diseases caused by undernutrition have all but disappeared in America. U.S. Department of Agriculture and Centers for Disease Control surveys meanwhile find no evidence of significant widespread undernutrition and few significant differences in food consumption and nutritional intake between poor children and upper-income children.

Major nutrition-related health problems in America are caused by excessive food consumption, not by food shortages. And being overweight is far more common among poor families than among non-poor: 40 percent of poor adult women are overweight.

Among poor children there are few nutritional deficiencies: some may suffer shortfalls in nutriment such as iron and zinc. Similar deficiencies, however, occur among the non-poor. The most effective way to deal with specific mineral and vitamin deficiencies among poor children is to increase the levels of these minerals and vitamins in foods already provided under the WIC and School Lunch programs.

American poor children and their families face overwhelming problems: escalating crime, disintegrating families, prolonged welfare dependence, and collapsing public schools. Chronic widespread undernutrition, however, is not a problem among poor children. FRAC's policy proposals are defined to combat a problem that does not exist. The FRAC "research" only distracts attention from the serious problems that face poor families today.

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Policy Analyst

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⁵⁵ *Nutrition Monitor* 1986, *op. cit.*, p. 120.

January 31, 1992

HOW THE POOR REALLY LIVE: LESSONS FOR WELFARE REFORM

INTRODUCTION

Each year for the past decade the United States Census Bureau has reported that at least 30 million Americans live in poverty. For ordinary Americans, the word "poverty" suggests destitution, and the idea of widespread and unremitting poverty in a land of prosperity is of course deeply distressing. The vision is one of over 10 percent of the entire population being hungry and malnourished, living in over-crowded, poorly heated, filthy apartments.

Yet, this simply is not the case.

Sophisticated surveys of the actual living conditions of America's poor by the Census Bureau, the U.S. Department of Agriculture, and other government agencies, paint a very different picture. These surveys show that the overwhelming majority of persons officially identified as "poor," are in fact well fed and well housed.

That has major implications for the design of American welfare policy. A distorted picture of the conditions of low-income families has led to misdirected policies that, in too many instances, give the wrong help to the wrong people while ignoring the real needs of many lower income Americans.

Crucial Data Ignored. The reason that an inaccurate picture of poverty continues to drive federal policy is that policy makers, curiously, are not looking at the federal government's own data. As an earlier Heritage Foundation study indicated, for instance, because lawmakers and federal officials ignore crucial data on nutrition from the U.S. Department of Agriculture and the U.S. Centers for Disease Control, many believe there is widespread hunger in America. In fact, there is almost no poverty-induced malnutrition in America, and the poor have virtually the same level of nutrient consumption as the middle class.¹

¹ Robert Rector, "Food Fight," *Policy Review*, No. 58, Fall 1991, pp. 38-43; Robert Rector, "Hunger and Malnutrition Among America's Children," Heritage Foundation *Background*er No. 843, August 2, 1991.

A distorted picture of the housing conditions of Americans classified as poor by the Census Bureau is also prevalent among policy makers. Again, readily available data refute many of the impressions driving policy. For example, among the little-known facts about poor housing from the 1989 "American Housing Survey," a joint project of the U.S. Bureau of the Census and the Department of Housing and Urban Development, are:²

- ◆ Nearly 40 percent of all "poor" households actually own their own homes.³ The median value of the homes of these households is 58 percent of the median value of all homes owned in America. Over one million poor households owned homes worth over \$80,000.
- ◆ The average home owned by persons classified as poor in the U.S. is a three-bedroom house with a garage and porch or patio. Contrary to popular impression, the majority of these households who own their own homes are not elderly.
- ◆ According to the Census Bureau, only 8 percent of poor households are overcrowded. Nearly two-thirds have more than two rooms per person.
- ◆ The average American defined as poor has twice as much living space as the average Japanese and four times as much living space as the average Russian. Note: These comparisons are to the average citizens in these countries, not to those classified as poor.
- ◆ The homes and apartments of the poor typically are in good condition. The Census Bureau reports that only 5 percent of all housing of the poor have even "moderate upkeep" problems.⁴
- ◆ Some 53 percent of poor households, owners as well as renters, have air conditioning. By contrast, just twenty years ago only 36 percent of the entire U.S. population enjoyed air conditioning.
- ◆ Contrary to popular impression, housing costs for many poor households are quite low; half of all poor households either live in taxpayer-subsidized public housing or own their own homes with mortgages fully paid.⁵

2 U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, Office of Policy Development and Research, *American Housing Survey for the United States in 1989*, Current Housing Reports H150/89, (Washington, D.C.: U.S. Government Printing Office, July 1991) Unless otherwise noted, all data in this paper are from the 1989 American Housing Survey.

3 Henceforth, the word "poor" will refer to those individuals or households classified as such by the Census Bureau.

4 See definition in text, p. 8.

5 For purposes of simplicity, the term "public housing" will be used in this paper to refer to all federal, state, and local subsidized rental housing. This includes HUD public housing, HUD Section 8 housing, other HUD rental subsidy programs, as well as other state and local public housing.

Overall, the actual housing and living standards of the “poor” are far higher than the public would imagine.

Much public misunderstanding about poverty occurs because the Census Bureau’s annual poverty report greatly overstates the extent of poverty in America. The Census Bureau defines as “poor” any household with a cash income less than the officially specified “poverty income threshold.” In 1990, the latest year for which the calculation has been made, the “poverty income threshold” for a family of four was \$13,359.

There are two key flaws in the federal government’s measurement.

First, when calculating a family’s financial situation, the Census Bureau ignores all of the family’s existing assets. Cars, homes, and other valuables have no bearing on the determination. When private sector financial analysts determine a family’s financial condition, of course, such assets are included. The Census Bureau counts only income acquired during the year. Under these limited criteria, a small businessman who loses money during the current year is defined as “poor,” even though he may own assets worth hundreds of thousands of dollars.

Second, the Census Bureau also greatly understates the current incomes of lower-income families. For one thing, the Bureau misses cash earnings that families do not report to tax collectors; for another, it ignores \$158 billion in welfare benefits that go to these families. The benefits ignored by the Bureau include much cash welfare, food stamps, Medicaid, public housing subsidies and most other welfare spending. The total missing welfare spending comes to an average of \$11,120 for every poor household in America.

To give accurate information to members of Congress and federal policy makers about poverty, so that they can design better welfare programs, the federal government should revise its measurement of poverty. The current Census poverty report lacks credibility because it does not provide complete and accurate information on the living conditions of America’s poor. It should be replaced with a new government assessment of poverty. To obtain this, the government should:

- 1) **Integrate and expand existing government surveys measuring the actual physical living conditions of low income families.** This would include measurements of food consumption, nutrition, housing conditions, and property ownership.
- 2) **Create a new measure of financial resources available to low income persons.** The Census Bureau’s official measure of income now is very inaccurate. Other surveys conducted by the Bureau, for example, reveal that low-income households in 1989 spent \$1.94 for every \$1.00 of “income” reported by the Census Bureau.⁶ Instead of publishing flawed income surveys, the federal government should present Congress and the American people with an accurate assessment of the financial status of low-income households based on

⁶ See Robert Rector, “How Poor Are America’s Poor?” Heritage Foundation *Backgrounder* No. 791, September 21, 1990.

actual household expenditures and assets, as well as a correct count of the billions of dollars in welfare benefits received each year.

THE LIVING CONDITIONS OF THE POOR

The family income data of the Census Bureau leave the impression among most Americans that millions of American households are malnourished and lack adequate housing. According to the 1991 Census Bureau report, there were 33 million poor persons in the U.S. in 1990.⁷ But few of the 33 million persons defined as poor actually fit the public image of poverty. Scientific surveys conducted by the U.S. Department of Agriculture, U.S. Centers for Disease Control, and even the U.S. Census Bureau itself, show that the actual living conditions of "poor" persons are far better than most Americans imagine.

Table 1
Housing Conditions: Poor Households

	All Poor Households	Poor Owner Households	Poor Renter Households
Free from all external defects (broken windows, sagging roof, missing roof material, sloping walls, and cracks in foundation)*	88.9%	91.0%	87.5%
No broken or boarded windows in building*	95.0	97.8	93.2
Has full kitchen (stove, oven, sink, and refrigerator)	97.4	98.7	96.6
No significant peeling interior paint or cracked interior plaster	90.5	92.8	89.6
Free from recurrent toilet stoppages or breaks in prior three months**	98.2	98.9	97.6
No crowding: adequate space	92.1	95.3	90.0
No heating problems through prior winter	88.9	91.2	86.9
No signs of rodents in prior three months	90.7	92.6	89.4
Note: All figures are in percent. * Data from 1985 American Housing Survey; later figures are not available. ** Having all toilets stopped up two or more times in the last 3 months. Source: U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, Office of Policy Development Research, <i>American Housing Survey for the United States in 1989</i> , Current Housing Reports H150/89 (Washington, D.C.: U.S. Government Printing Office, July 1991).			

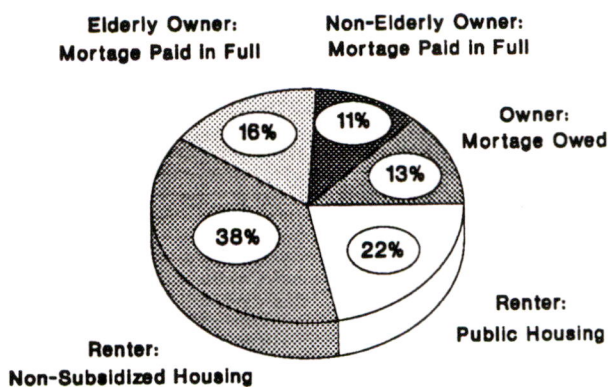
⁷ U.S. Department of Commerce, Bureau of the Census, *Measuring the Effect of Benefits and Taxes on Income and Poverty: 1990*, Series P-60, No. 176—RD, (Washington, D.C.: U.S. Government Printing Office, August 1991), p. 11.

In reality, for example, there is little or no poverty-induced malnutrition in America; poor persons have virtually the same levels of nutrient consumption as the middle class.⁸ Poor children today actually are super-nourished compared with the children of previous American generations. Today's poor children will grow up to be significantly taller and heavier than the average child of the same age in the general American population of the late 1950s.⁹ The overriding dietary problem among low-income American families is not a lack of nutritious food, it is obesity.

Similarly, the popular image of the housing of the poor is of a dilapidated building with broken or boarded-up windows. In reality, very few poor homes fit this description. The overwhelming majority of poor persons live in housing that is roomy, structurally sound, and in good repair.

Table 1 is based on the Census Bureau's "American Housing Survey" of 1989, the latest available data on the housing conditions of poor households. According to the survey, the majority of poor households live in single homes with two or three bedrooms. As Table 1 shows, some 89 percent of homes and apartments of the poor are free of external problems, such as a sagging roof or cracks in the foundation; 95 percent are free of major defects such as broken or boarded-up windows.¹⁰ And only one out of ten homes housing the poor suffers from internal maintenance problems such as peeling paint, cracked plaster on interior walls, signs of rodents in the last three months, or at least one heating problem during the previous winter.

Chart 1
Poor Households: Owner vs. Renters
1989



Source: 1989 American Housing Survey.

Heritage DataChart

8 Rector, "Food Fight," *op. cit.*; and Rector, "Hunger and Malnutrition Among America's Children," *op. cit.*

9 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.

10 The estimate of the percent of housing units free from all external defects is based on those units in which a complete examination of the external conditions of the house was made by the Census Bureau. Housing units for which complete observations were not made were excluded from the calculation. *American Housing Survey 1985*.

Decent Quality. The vast majority of poor households live in housing free of even minor problems. The quality of housing for poor households, in short, is far superior to the image of “poverty” conjured up in the minds of most Americans.

Another surprising fact is that 39.5 percent of all households classified as poor by the Census Bureau actually own their own homes. The average home owned by the poor, moreover, is a three-bedroom house in a non-urban area. And as Chart 1 shows, close to three-quarters of home-owning poor families have fully paid off all mortgages on their homes. While the majority of poor households with fully paid mortgages are elderly, there are nearly 1.5 million non-elderly, poor households who own homes free of mortgages. These households constitute 11 percent of all poor households in the U.S.

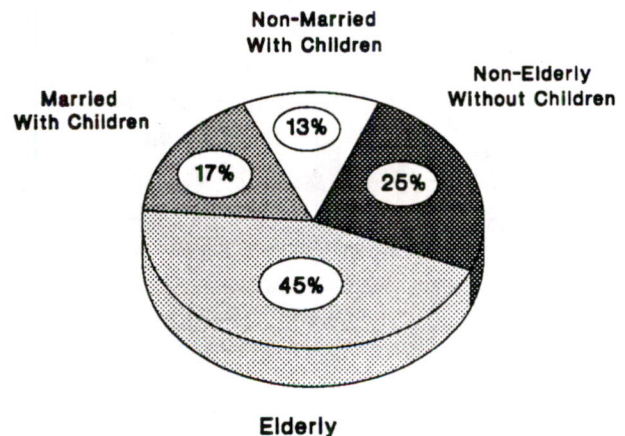
Chart 1 also gives some indication of the cost of housing for low-income households. It shows that 22 percent of all poor households reside in public housing. This means that 61.5 percent of poor households either own their own homes or live in heavily subsidized public housing—in either case, housing payments are very low, or even zero.

HOME OWNERSHIP AMONG THE POOR

Contrary to common perceptions, most of the 40 percent of poor households owning their own homes are not elderly, as Chart 2 shows. Families with children comprise one-third of the home-owning poor; another one-quarter are non-elderly households without children. Elderly households without children make up the remaining 45 percent.

While they are not a majority of the home-owning poor, elderly poor householders are more likely to own homes than are other types of poor households. As Chart 3 shows, over 60 percent of all poor, elderly households own homes. By comparison, the rate of home ownership among poor families with children is less than half the rate of the elderly—or 27 percent. And roughly one-third of those poor families who are childless and not elderly own their homes.

Chart 2
Poor Owner Households:
1989



Source: 1989 American Housing Survey.

Heritage DataChart

To be sure, Americans classed as poor do not live in villas or mansions. But neither do many live in slums.

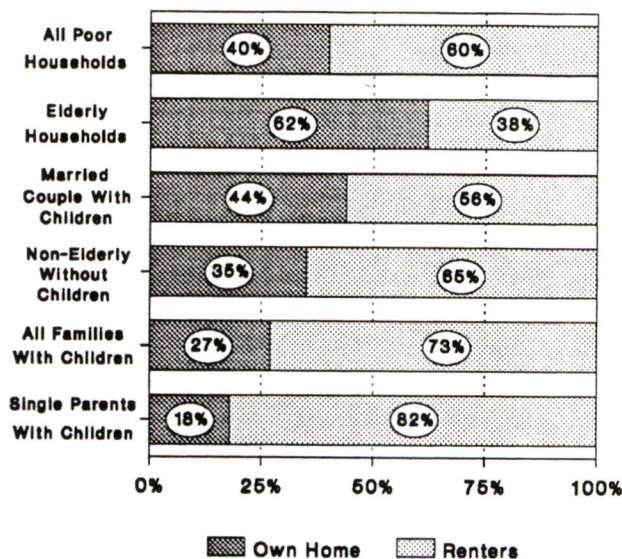
The average house owned by poor households is of reasonable size and in good physical condition. According to the data, the typical house owned and occupied by a poor American household was built in the mid-1950s and is eight years older than a home owned and occupied by the average American family.

The average poor homeowner has five or six rooms, plus bathrooms.¹¹ The house has three bedrooms and one bath and is situated on roughly a one-half acre lot. Over half of homes owned by the poor have a garage or carport and three-quarters have a porch deck or patio.

Comparable Homes. These are modest homes, but there are not vast differences between homes owned by America's poor and those owned by the rest of the American population. Compared with the general U.S. owner-occupied housing stock, homes owned by the poor have one less room and 25 percent less living space. And while nearly two-thirds of all American owner-occupied homes have more than one bathroom, only one third of poor-owner homes have more than a single bath.

Low-income Americans often are the target of derogatory comments about their supposed unwillingness or inability to keep up their homes. The facts tell a different story. Homes owned by poor households show a surprisingly high level of upkeep. According to the latest available data, from the 1985 American Housing Survey, only 2 percent of poor-owner homes had broken or boarded-up windows; a total of 9 percent had

Chart 3
Share of Poor Households Owning Home:
By Family Type



Source: 1989 American Housing Survey.

Heritage DataChart

¹¹ The Census Bureau includes in its count of rooms within a home: bedrooms, living rooms, kitchens, separate dining rooms, recreation rooms, and other rooms used for year-round living. Bathrooms, closets, porches, garages and unfinished basements are not counted as separate rooms. The Census Bureau slightly undercounts the number of rooms in American homes and apartments because it counts a dining room as a separate room only if it is separated from all adjoining rooms by walls. Dining rooms which open directly into living rooms are not counted as separate rooms even though this is a common feature in many homes and apartments. Thus many rooms which would be conventionally thought of as separate dining rooms are in fact excluded from the Census count.

external deficiencies such as broken windows, missing roof material, sloping walls or cracks in the foundations.¹²

The interior of nearly all of the homes owned by the poor was in good repair, according to the 1989 housing survey. The Census Bureau found only 8 percent had even minor levels of peeling paint or chipped plaster. Overall, just 3.5 percent of poor-owner homes were found to have "moderate upkeep problems," which the Census Bureau defines as having any three of the following six conditions:

- ◆ broken plaster or peeling paint on inside walls or ceilings, with at least one area of broken plaster or peeling paint as large as a piece of paper eight by eleven inches.
- ◆ signs of mice or rats in the last 90 days.

Table 2 Facts About Owner-Occupied Housing		
1989 Statistics	All Owner-Occupied Housing	Poor Owner-Occupied Housing
Median year built	1964	1956
Median number of square feet per unit	1766	1329
Median number of square feet per person	688	713
Median number of rooms	6.0	5.0
Median number of bedrooms	3.0	3.0
Average number of persons per household	2.8	2.5
Share with air conditioning	73.2%	59.7%
Share with porch, deck, or patio	84%	78%
Share with three or more bedrooms	72.1%	58.3%
Share with more than one bathroom	64%	38%
Share with garage or carport	73%	56%
Median size of lot	.41 acres	.47 acres
Share in central cities	24.1%	24.3%
Share in South	35.6%	48.4%
Median monthly housing costs (mortgage, insurance, utilities, and taxes)	\$398	\$192
Percent with mortgage paid in full	42.4%	68.2%
Source: U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, Office of Policy Development Research, <i>American Housing Survey for the United States in 1989</i> , Current Housing Reports H150/89 (Washington, D.C.: U.S. Government Printing Office July 1991).		

12 Data on external deficiencies are not available for single unit dwellings after 1985.

- ◆ any crack in interior walls wide enough to allow one to insert a dime; cracks need not go through wall.
- ◆ any water leaks in last 90 days from interior pipes or plumbing fixtures.
- ◆ any water leaks in last 90 days from roof, windows, or basement.
- ◆ any dents or holes in floors.

Following the Census Bureau's very specific standards, only eight out of one thousand homes owned by the poor (0.8 percent) were found to have "severe upkeep problems," defined as having five out of six of the above deficiencies.

The most common problem affecting poor home owners, in fact, is water leaks from the basement, windows, or roof. Over one out of five poor home owners reported such water leaks during a twelve-month period. Yet this is a problem affecting a wide range of American home owners, not just poor home owners. In fact, 18 percent of non-poor, American home owners reported such water leaks in 1989, a rate virtually identical to that of poor American home owners.¹³

Poor Households, Expensive Homes. In keeping with their smaller size and greater age, homes owned by the poor have a lower retail value than those owned by the general population. The median value of homes owned by the poor was \$43,562 in 1989, an amount equal to 58 percent of the median value of all owner-occupied housing in America, which was \$75,359 in that year. The average home owned by poor persons is comfortable but modest.

Yet, the 1989 Census survey also showed that about 1.1 million poor households owned homes with values greater than the median value of all U.S. owner-occupied housing, both poor and non-poor. Such "poor" households owning relatively expensive homes make up over 8 percent of all poor households. The Census Bureau even reports over 215,000 "poor" households owned homes worth over \$200,000, and 75,000 "poor" households owned homes worth over \$350,000.¹⁴

The fact that nearly one-tenth of all poor households own homes worth more than the average American home dramatizes how absurd it is for the Census Bureau to ignore assets in determining whether or not a family is poor.

RENTAL HOUSING AMONG THE POOR

Over 60 percent of the poor, or 7.5 million households, rent houses or apartments. While the elderly are the largest group of poor home owners, single parents with children are the largest group of poor renters. Over 80 percent of single parents classified as poor rent homes, and single parents account for over one-third of all poor households who rent. As Chart 4 shows, members of non-elderly households without children are the next largest group of poor renters, comprising over one-quarter of the

¹³ *American Housing Survey*, 1989, *op. cit.*, p. 98.

¹⁴ *Ibid.*, p. 116.

total. Married couples with children are the smallest group among poor renters, accounting for only 15 percent of the total.

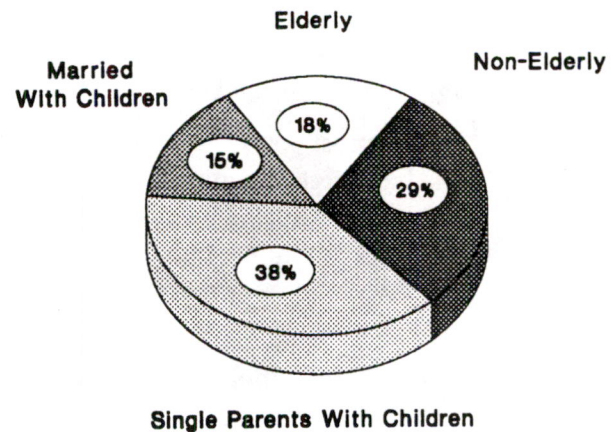
The typical poor rental unit was built in the mid-1950s and is about six years older than units rented by the non-poor. Nearly 40 percent of all poor rental housing units are single unit dwellings; the remainder are multi-unit apartment buildings, generally with less than twenty apartments per building. Over half of all rental units occupied by the poor have a balcony, patio, or porch. Some 49 percent have air conditioning.

Few poor renters living in apartment buildings report the conventional signs of slum living.¹⁵ Only 1 percent report a lack of working lights in building hallways, and 4 percent say their apartment building has broken or boarded-up windows. In apartment buildings with elevators, 7 percent have elevators that are broken.

Poor renters are nearly twice as likely as poor owners to have problems keeping up their residences; roughly 1 percent of poor renters have "severe upkeep problems," based on the criteria used by the Census Bureau.¹⁶ Another 6 percent have "moderate upkeep problems," as defined by the Census Bureau.¹⁷ In particular, some 11 percent of poor renters report signs of mice or rats during the previous three months. One in ten poor renters report that their toilets were broken or plugged for more than six hours on one or more occasions during a three-month period—but only about 2 percent of poor rental households report frequent toilet breakdowns. The overwhelming majority of poor renters live in housing that is structurally sound, in good repair, free of rodents, and has adequate heating and plumbing equipment.

There is one major difference between poor renters and both poor and non-poor home owners: poor renters are far more likely to be on welfare than are other

Chart 4
Poor Renter Households:
1989



Source: 1989 American Housing Survey.

Heritage DataChart

¹⁵ Data on external problems in 1989 are available only for multi-unit structures.

¹⁶ See definition in text on p. 8.

¹⁷ *Ibid.*

households. Over one-third live in public housing. Less than half of all poor-renter households report any earned income.

Misleading Figures. Advocates of higher welfare spending or housing assistance contend that, notwithstanding the condition of their rental housing, the poor pay too great a share of their incomes for rent, thus making the purchase of other necessities, such as food, difficult or nearly impossible. For example, the Joint Center for Housing Studies of Harvard University contends that two-thirds of all poor renter households pay over 50 percent of their incomes in housing costs.¹⁸ The Joint Center proposes building many more expensive public housing units to bring down the cost of housing for the poor.

These figures are very misleading, however, because they rely on the Census Bureau household income figures, which greatly underestimate the incomes of poor households. In fact, total spending by these households greatly exceeds their reported incomes, according to the federal government's own figures. Because of this, and since many in-kind benefits available to those families are not counted as income, it should not be surprising to learn that more than 50 percent of their "income" goes to housing. In order to determine if poor households really are spending "too much" of their incomes on housing costs, there would need to be changes in the methodology of the Census Bureau surveys, to present an accurate count of the earnings and financial assets of poor renter households.

**Table 3
Facts about Renter Housing**

	All Renter-Occupied Housing	Poor Renter-Occupied Housing
Median year built	1963	1957
Median number of rooms	4	4
Median number of bedrooms	2	2
Median number of persons per household	2	2
Share in Single unit dwelling	36%	37%
Share with Air-conditioning	62%	49%
Share with balcony, porch, deck, or patio	61%	55%
Share with three or more bedrooms	24%	26%
Share in public or government-subsidized rental housing	14%	36%
Share with earned income	83%	46%
Median monthly housing costs (rent, insurance, and utilities)	\$424	\$281

Source: U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, Office of Policy Development Research, *American Housing Survey for the United States in 1989*, Current Housing Reports H150/89 (Washington, D.C.: U.S. Government Printing Office July 1991).

¹⁸ Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 1990* (Cambridge, Massachusetts: Joint Center for Housing Studies of Harvard University, 1990) p. 21.

THE LIVING SPACE OF POOR HOUSEHOLDS

Another indicator of housing quality is the amount of living space available within a house. Living space may be measured either by the number of rooms per person or the square footage of living space available per individual.

In its housing surveys, the Census Bureau counts the number of rooms within each housing unit. Bedrooms, living rooms, kitchens, separate dining rooms, recreation rooms, and other rooms used for year-round living are included in this count. Bathrooms, closets, porches and unfinished basements are not. On the basis of this survey, the Census Bureau then determines the number of rooms available per person within each household. For example: A three-person family living in a three-bedroom house with a kitchen, living room, and separate dining room would be counted as having two rooms per person. Households with less than one room per person are defined as "crowded." Thus, a family of five living in a two-bedroom apartment with a living room and kitchen would be regarded as "crowded."

Data from the 1989 housing survey indicate that the average poor household actually has roughly the same number of rooms per person as the average American household. As Table 4 shows, 60 percent of poor households have two or more rooms

Table 4 Crowding in Poor Households			
	2 or more rooms per person	1 to 1.99 rooms per person	Crowded — less than 1 room per person
All poor households	59.5%	32.6%	7.9%
Elderly poor	90.7	8.4	1.1
Non-elderly poor	45.9	43.1	10.9
Poor renters	50.5	39.4	10.0
Poor owners	73.2	22.1	4.7
Central City poor	54.5	36.1	9.4
Poor Black	49.0	42.0	9.0
Note: All figures are in percent. Source: U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, Office of Policy Development Research, <i>American Housing Survey for the United States in 1989</i> , Current Housing Reports H150/89 (Washington, D.C.: U.S. Government Printing Office July 1991).			

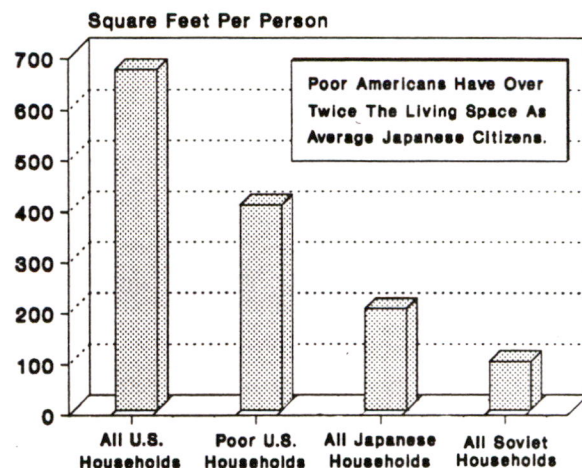
per person. This compares with a rate of 66 percent among the general population. A full 91 percent of elderly poor households and 73 percent of poor home owners have two or more rooms per person. Even among those who have the lowest quality housing, such as central city households, roughly half have two or more rooms per person. By contrast, only 8 percent of poor households are "crowded," having less than one room per person. The crowding rate rises to roughly 10 percent among non-elderly poor, central city poor, and poor renters.

While this amount of space might seem modest to Americans, it would seem generous to average households in many foreign countries. While poor Americans have an average 1.8 rooms per person, the Irish have only 1.1; the Italians, 1.25; and

the affluent Swiss, 1.4.¹⁹ Outside Europe, the average Japanese lives in a home with 1.25 rooms per person.²⁰

Another useful measure of the quality of housing is square feet of living space per capita. As Chart 5 shows, poor persons in the U.S. have an average of 405 square feet per capita, or 61 percent of the living space available to the average American. On this, the international comparison is striking. While poor Americans have less living space than the average American, they have twice as much living space as the average Japanese and four times the living space of the average citizen of the former Soviet Union.²¹

Chart 5
Housing Space:
An International Comparison



Sources: U.S. Department of Energy, Energy Information Administration, *Housing Characteristics 1987*, 1989. A.S. Zaychenko, "United States-USSR: Individual Consumption (Some Comparisons)", *World Affairs*, 1989. "The Affluent Japanese Household", *Business America*, 1981.

Heritage DataChart

WHAT ABOUT CENTRAL CITY HOUSING?

The term "central city poor" brings to mind images of rat-infested inner-city tenements, studded with boarded-up or broken windows. Some of the central city poor do indeed live in squalid housing in dangerous, underclass neighborhoods. But the vast majority of housing for the poor in America's inner cities is in fact free of the defects commonly associated with slums.

Some 41 percent of American poor households live in central cities. The central city poor are more likely to be single parent families, with family heads less likely to work, than are the poor elsewhere in the nation. The average poor central city household lives in a two-bedroom apartment with a balcony, built around 1948. Fifty percent of poor central city households have air conditioning. And half of the households own a car or truck.

- 19 *Living Conditions in OECD Countries: A Compendium of Social Indicators* (Paris: Organization for Economic Co-operation and Development, 1986), p. 133. European and Japanese figures provide the mean number of rooms per person. Figures for poor American households are also means.
- 20 *Ibid.*, p. 133.
- 21 U.S. Department of Energy, Energy Information Administration, *Housing Characteristics 1987* (Washington, D.C.: Government Printing Office, 1989), p. 25. A.S. Zaychenko, "United States-USSR: Individual Consumption (Some Comparisons)", *World Affairs*, Summer 1989, p. 10. "The Affluent Japanese Household", *Business America*, March 23, 1981, p. 10.

Table 5
Housing Deficiencies: Poor vs. Non-Poor

	Non-poor	All-poor	Poor Owner	Poor Renter	Central City Poor
Maintenance Problems:					
Severe upkeep problems (see definition in text)	0.15%	0.89%	0.79%	0.95%	0.95%
Moderate upkeep problems (see definition in text)	1.51	5.06	3.52	6.07	6.47
Lacks full kitchen*	0.97	2.57	1.34	3.37	3.14
Signs of rodents in last three months	2.93	9.29	7.36	10.56	11.33
Peeling paint or cracked plaster on interior walls or ceiling	3.59	9.15	7.17	10.45	11.29
Toilets broken or stopped for more than six hours two or more times in the last three months	0.58	1.89	1.08	2.43	2.28
Heating Problems					
Cold for 24 hours or more at least once last winter**	5.2%	11.15%	8.79%	13.12%	13.0%
Cause of Heating Problems:					
1. Equipment failure	2.11	4.0	2.25	5.22	5.42
2. Inadequate heating capacity	1.05	3.13	2.38	3.75	4.02
3. Inadequate insulation	0.66	1.84	1.40	2.21	1.77
4. Other cause	1.4	2.48	2.15	2.76	2.23
Water leaks					
Any water leaks from inside unit from pipes or fixtures in past year	11.6%	15.69%	11.5%	18.44%	19.53%
Any water leaks from outside unit, through roof, basement, or window last year	16.97	17.24	21.95	14.14	15.26
Note: All figures are in percent. * Full Kitchen means having a sink, refrigerator, and stove. ** Excludes instances caused by power failures. Source: U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, Office of Policy Development Research, <i>American Housing Survey for the United States in 1989</i> , Current Housing Reports H150/89 (Washington, D.C.: U.S. Government Printing Office July 1991).					

The housing conditions of the inner-city generally are similar to the poor throughout the rest of the country. Among the poor living in apartments, 4.5 percent live in buildings with some broken or boarded-up windows.²² Eleven percent of poor households in 1989 reported signs of rodents within the last three months. Based on Census

²² Data on broken and boarded-up windows in the 1989 survey are limited to multi-unit dwellings.

Bureau criteria, 1 percent of poor central city households had "severe upkeep problems," and 6.5 had "moderate upkeep problems." But the overwhelming majority of housing units occupied by the poor in the central city are in reasonable condition and are free of such defects.

THE SPECIAL CASE OF THE HOMELESS

While the overwhelming majority of poor persons identified by the U.S. Census Bureau are well fed and decently housed, the Census Bureau generally excludes homeless persons from its housing surveys and its annual poverty and income surveys.²³ Nevertheless, this does not alter the data in a statistically significant fashion, even though the homeless problem has clear implications for public policy.

While the Census does not capture the homeless in its annual population and income surveys, the highest scientific estimate, compiled in 1989 by Martha Burt and Barbara Cohen of the Urban Institute, places the number of homeless at between 355,000 and 445,000.²⁴ Thus even if the homeless were correctly included in the Census poverty count, they would represent no more than 1.5 percent of all poor persons.

Rejecting the Urban Institute's estimate of the number of homeless persons, and opting for a higher number, still would not significantly alter the overall picture. Even the politicized and thoroughly discredited claim of two million homeless persons, made by some homeless advocates, means the homeless still would represent no more than 6 percent of all poor persons. Including the homeless in the Census poverty count thus would not alter the fact that the overwhelming majority of America's 30 plus million poor persons are housed in reasonably good conditions.

UNSCRAMBLING THE POVERTY PUZZLE

The Census Bureau reports on poverty declare year after year that there are over 30 million poor Americans. But other government surveys measuring actual food consumption, nutritional status, housing, and property ownership show that few of the households defined as "poor" by the Census are poor in the sense understood by most Americans. Furthermore, in contrast to the official Census poverty count, measures of the actual living standards of the poor show improvement over time. How can the contradiction between the official poverty numbers and these other data be explained? There are five reasons for this disagreement:

23 The Census Bureau, however, did attempt to count the homeless in the 1990 decennial census of the entire U.S. population. In that year, the Census counted 230,000 homeless persons in shelters and on the streets and in abandoned buildings.

24 Martha R. Burt "Developing the Estimate of 500,000 to 600,000 Homeless People in the United States in 1987," Department of Commerce, U.S. Bureau of the Census, *Enumerating Homeless Persons: Methods and Data Needs* (Washington, D.C., U.S. Department of Commerce: March 1991), pp.130-139.

Reason # 1: A large number of the poor, as defined by the Census

Bureau, are only "temporarily poor." This category would include many individuals thrown out of work. Included also are the families of businessmen who suffer losses in a given year. Such families may have reasonable amounts of savings which they spend during the period of lost or reduced income. Despite temporarily low income, their life-style may not change dramatically. Few Americans would consider these households as "poor." They are radically different from families trapped in welfare dependence and permanent poverty.

Without in any sense minimizing the emotional and economic distress felt by a family whose breadwinner has lost a job, lumping the temporarily poor and long-term poor together into a single category of "the poor" only creates harmful confusion among policy makers and leads to ill-considered policies. Welfare is not an answer for the "temporarily poor." These families would benefit much more from policies that foster a robust economy and new job creation.

Reason # 2: Significant numbers of poor and low-income families have cash earnings which they do not report to the Census Bureau or the Internal Revenue Service. There are large numbers of individuals working primarily for cash payments rather than salaries. These include waitresses, housekeepers, handymen, repairmen, and many other self-employed persons. Census Bureau officials admit that those who have not fully reported cash earnings to the IRS are unlikely to report those same earnings to Census takers. A recent study of welfare mothers in an unidentified major midwestern city, for example, found that over 90 percent had jobs and income they had concealed from government authorities.²⁵

Some middle and upper income families do the same, of course. Government surveys of expenditures show that low income households typically spend \$1.94 for every \$1.00 of income reported to the Census Bureau.²⁶ This explains in part why some families may be reasonably well fed and housed while having little or no apparent income.

Reason # 3: The Census Bureau does not count much welfare assistance in its calculation of poverty. A family is defined as poor by comparing family income to an official income level, or "poverty threshold." The poverty threshold for a family of four was \$13,359 in 1990. But in excluding nearly all welfare assistance from its calculation of family income, the Census Bureau gives the public an erroneous picture of poverty in America.

Total annual federal, state, and local welfare spending amounted to \$184 billion in 1988. This figure excludes programs for the middle class such as Social Security and Medicare. But of this total welfare spending,

25 Christopher Jencks and Kathryn Edin, "The Real Welfare Problem" *The American Prospect*, Spring 1990, pp. 31-50.

26 See Robert Rector, *How Poor Are America's Poor?* *op. cit.*, p. 5.

the Census Bureau counts only \$27 billion as income. Thus, \$158 billion of welfare assistance is devoted to helping the disadvantaged but is not counted by the Census Bureau. This is equal to an average of \$11,200 for each poor household.

If the total value of all welfare benefits were counted, many "poor" families would be shown to have financial resources well in excess of the government's poverty threshold. This, in part, explains why so many welfare families may be reasonably well fed and housed despite the fact that the Census Bureau reports them to have little or no income.

Reason # 4: The Census Bureau ignores all assets and savings in determining whether or not a family is "in poverty." But a family which has fully paid for and furnished a house, and paid for a car, will not necessarily have a poverty life-style even if its annual cash income is regularly below the official poverty level. This point is particularly important among the elderly.

Reason # 5: Low family income does not automatically indicate destitute living conditions. There is a general assumption that all households with incomes below the federal poverty income threshold are unable to afford adequate food and housing. This assumption is incorrect. Given the low cost of basic food and housing, for instance, it is possible for many families to feed and shelter themselves adequately while having incomes below the poverty threshold.

And many do. The median annual housing costs for the average poor household of two persons, including utilities and taxes, came to \$2916 in 1989.²⁷ According to the U.S. Department of Agriculture, a thrifty but nutritious diet for that same household would cost about \$1980 per year. So, the combined food and housing costs would amount to \$4896, or 61 percent of the official poverty threshold in that year for a household of that size. Similarly, food and median housing costs for a poor married couple with two children living in non-subsidized rental housing is \$8267 per year.²⁸

This figure is 65 percent of the poverty threshold for a family of that size. Over half of all poor households, of course, actually have housing costs below the median figures given above. Given the typical cost of basic food and housing in the U.S., it is simply incorrect to assume that most families with incomes below the poverty level must be inadequately housed and fed.

²⁷ *The American Housing Survey for the United States in 1989*, p. 60.

²⁸ Figures on median housing cost of non-subsidized poor renter households are from the Joint Center for Housing Studies, Harvard University, *The State of the Nation's Housing 1990*, *op. cit.*, p. 21. Food costs are based on the Agriculture Department's THRIFTY Food Plan. All figures are for 1989.

CREATING AN ACCURATE MEASUREMENT OF POVERTY

It widely is agreed that federal welfare policy clearly is in need of an overhaul. While the 1988 Welfare Reform Act was designed to change welfare policy substantially, the law largely expanded current programs. The perverse incentives that promote dependency, illegitimacy, broken families and hopelessness among the poor remain intact in the system.²⁹

Fashioning an intelligent policy to attack poverty is impossible without a clear idea of the true dimensions of the problem. This means separating fact from fiction, and replacing popular prejudices with hard data. Without that, Congress cannot prescribe an effective remedy to the problems of the poor or target assistance to those low-income families that need the most help. The first step to developing sound reform policies, then, is better information.

Because the Census Bureau's annual poverty estimate does not provide such accurate information about the earnings and welfare benefits received by these households, its report should be replaced with a new system of assessing poverty in the U.S. This system would have two components:

♦ ♦ The system should improve existing measures of actual living conditions.

The federal government currently uses surveys that measure the actual housing conditions, property ownership, food consumption, and nutritional status of the poor. These reports include *Food Consumption Surveys* published by the U.S. Department of Agriculture, *Housing Characteristics*, published by the Department of Energy, the *American Housing Survey*, published jointly by the Census Bureau and HUD, and various reports of the National Health and Nutrition Examination Survey, published by the Department of Health and Human Services.³⁰

These reports contain accurate and valuable data on the living conditions of poor Americans. They paint a very different picture of low income Americans than that contained in the Census Bureau's annual poverty report. And in contrast to the Census poverty report, they show genuine improvements in the living standards of the poor over time.

29 For a general discussion of welfare reform see Robert Rector and Michael McLaughlin, "A Conservative's Guide to State Level Welfare Reform" in *A Conservative Agenda for the States*, published by the Texas Public Policy Foundation, forthcoming, pp. 5-6.

30 Examples of these are: U.S. Department of Agriculture, *Food Consumption: Households in the United States*, Spring 1977, Report No. H-1, (Washington, D.C.: U.S. Government Printing Office, September 1982); U.S. Department of Energy, *Housing Characteristics 1987*, (Washington, D.C.: U.S. Government Printing Office, May 26, 1989). National Center for Health Statistics, U.S. Department of Health and Human Services, *Anthropometric Reference Data and Prevalence of Overweight, United States 1978-80, Vital Health and Statistics, Series II, No. 238* (Washington, D.C., U.S. Government Printing Office: 1987).

The main problem is that while the government collects this solid data, few policy makers apparently read them; some, doubtless, have never even heard of these government surveys.

The federal government thus should conduct these surveys more frequently, expand them to collect more detailed information about low income households, and give them much greater prominence. At least once every three years the government also should issue a single combined report on the actual living conditions of the poor, integrating hard data from these sophisticated federal surveys.

♦ ♦ **The system should measure correctly the financial resources available to low income households.**

The Census Bureau's current method of measuring the income of poor households is grossly inaccurate. The *Consumer Expenditure Survey* published by the Bureau of Labor Statistics, a bureau of the Department of Labor, shows that low income households spend \$1.94 for every \$1.00 of income reported by the Census Bureau.³¹ This survey of actual expenditures gives a far more accurate picture of living standards than the erroneous Census income measure. In addition, poor households receive many non-cash welfare benefits such as medical assistance and housing subsidies that are not measured in the consumer expenditure surveys.

The government should create a new survey to measure the actual financial status of "poor" households based on an accurate count of expenditures and non-cash welfare benefits. This survey could be used to determine the number of households in which expenditures and welfare benefits fell below the "poverty income thresholds."³²

CONCLUSION

The Census Bureau figures on the rate of poverty in the U.S. form the basis of welfare policy making. But the figures are wrong. The Census Bureau greatly undercounts the incomes of "poor" Americans, and the actual physical living standards of the households identified "poor" by the Census Bureau are far better than the public imagines.

Of course, America's poor do not live lavishly. But few households are "poor" in the sense of being destitute. The average poor family is well fed and well housed in a two bedroom house or apartment that is structurally sound, in good repair, and well heated. Very few poor persons live in crowded conditions. Forty percent of all poor households own their own homes. And the average home owned by a poor household is a three-bedroom house in good repair with a value equal to 58 percent of the average value of all homes owned in America.

31 Robert Rector, Kate Walsh O'Beirne, and Michael McLaughlin, "How Poor Are America's Poor?" Heritage Foundation *Background* No. 791.

32 The proposed survey would combine elements of the Consumer Expenditure Survey and the Survey of Income and Program Participation.

Dramatic Improvement. Moreover, the housing conditions of the poor have improved dramatically over the last thirty years. In 1960 some 25 to 30 percent of poor households actually lacked an indoor toilet. Today such situations are virtually non-existent. Today 53 percent of poor households have air-conditioning, compared to 36 percent among all U.S. households, both poor and non-poor, just twenty years ago.

For state legislators and Members of Congress to devise sound welfare policies, they need accurate information. They do not have it today. The federal government should revise its surveys to provide more accurate information about the financial resources and actual living conditions of "poor" Americans. Such good information is the necessary first step in reforming America's failed welfare system.

Robert Rector
Policy Analyst

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