

CATO INSTITUTE

POLICY FORUM

WELFARE, WORK AND FOUR YEARS OF CHANGE:

WHERE DO WE GO FROM HERE?

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Featuring

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P R O C E E D I N G S

MR. TANNER: I'm Michael Tanner, and I'm the Director of Health and Welfare Studies here at the Cato Institute, and I'm delighted to welcome you here to the F.A. Hayek Auditorium and the Cato Institute for a forum on Welfare, Work and Four Years of Change: Where Do We Go From Here?

This is, of course, an election year, you may have noticed. And if you've been out listening to what's been going on on the campaign trail out there, you may be surprised by one of the missing issues, welfare reform. If you think back to the last presidential election or the presidential elections before that, welfare reform was a major issue. It seemed to be a stable part of every politician's stump speech to talk about the need to end welfare as we know it.

Well, four years ago we passed welfare reform, and since then it seems to largely have dropped off the political radar screen. In fact, if you listen to our current candidates for President, particularly George W. Bush and Al Gore, both of them embrace the fact that welfare reform has been a tremendous success, and then they argue over who should get credit for that.

Well, we're here to raise some other questions today. We're here to raise the question of whether or not welfare

reform has been a tremendous success, and then we're going to ask, even if it has been a success so far, should we simply stop now or is there more that can be done?

And it's important as we do this to remember this is not just a political issue. It's not even just an issue about taxpayers' money. It's an issue about real people who are affected by these changes, about women and children out there who are having to deal with the effects of welfare reform.

So, we have an excellent panel I think today with very diverse viewpoints. We're going to talk about the future of welfare reform and its past.

With that, I'd like to get started and welcome our first speaker today, who is from the Cato Institute. Lisa Oliphant is the author of a new study just being released today, *Four Years of Welfare Reform: A Progress Report*. If you did not pick it up on your way in, you can get it on your way out. Lisa is an Entitlements Policy Analyst here at the Cato Institute.

She comes to Cato from the Hudson Institute and particularly from the Hudson Institute's London office, working there comparing U.S. and European welfare systems. She helped to advise Tommy Thompson in the development of the W2 system in that state. She has her masters in European social policy from the London School of Economics.

She has been a tremendous asset to the Cato Institute since she joined us just a few short months ago, and she is truly I think one of the experts on welfare policy and what the states have been doing in this country. Her paper is one of the most comprehensive reviews of the literature done to date on this subject. We're very happy to have her speak today.

Lisa Oliphant.

(Applause.)

LISA OLIPHANT,

ENTITLEMENTS POLICY ANALYST, CATO INSTITUTE

MS. OLIPHANT: Thank you, Michael. That's very nice.

Well, I was out the other day and I was having lunch with a friend of mine, a Republican buddy, and the topic turned to presidential politics. In the course of our conversation that day, my buddy is very cynical about our current President, but he conceded that he thought perhaps Mr. Clinton had done one thing right in his eight years in office. And I'm thinking, oh, here it comes. This is exactly what he said. He said, well, he signed a tough welfare reform bill into law and he made it work.

Now, Jess is not an expert on welfare reform, but he reads the papers every day and he considers himself pretty well informed. I think his opinion about welfare reform reflects one

of two that are generally adopted by our tuned-in American public. They've either bought into the belief that welfare reform is succeeding because masses of people have left welfare for work, or they've condemned the new law for failing to meet the needs of the poor and putting more people out into the cold. As it turns out, I think neither insight is entirely accurate.

Four years into welfare reform, I think it's becoming pretty clear that the impact of the new law is not as extreme as either side is claiming. On the one hand, welfare reform has not turned out to be the draconian instrument that many feared it would be. Take some comments by people like Senator Moynihan. Back in 1995, he warned to Bill Clinton that this bill is going to be ruinous to children. It is an obscene act of social regression. It visits upon children the wrath of an electorate disillusioned with government and lost to principle.

Well, as it turns out, I think few recipients have actually been made worse off by the new law. On the other hand, I think it is becoming increasingly apparent that this country has not legislated the solution to poverty independence. Behind the dramatic caseload declines and increases in single mothers' employment lingers the reality of one, concentrated poverty; two, long-term welfare receipt; and three, what I call supplemental dependence among the working poor.

Now, I think by now most analysts will agree that success cannot be measured simply in terms of the caseload declines, in terms of caseload numbers. Since states began experimenting with welfare reform back around 1993, the nation's caseloads have declined by about 53 percent which is, no doubt a development worth celebrating.

On the other hand, two facts seem to suggest that much of the success thus far has come from our booming economy and having creamed some of the easiest to place, most employable individuals from the top of the rolls.

The first is the fact that many states have had a pretty tough time sustaining the sharp drops that they saw in the first two years after the new welfare law was passed. Around 1998, caseload declines in a handful of states began to slow pretty markedly or even began to reverse themselves to increases in states like New Mexico, Indiana, Hawaii, Wisconsin, Tennessee.

Second, evidence is also emerging that urban areas, where poverty is often the most concentrated, have had consistent difficulty keeping pace with the rest of the nation's caseload declines.

What these facts suggest to me is that the toughest to employ individuals, who now much up the lion's share of the caseload, are not responding to or, in many cases, remain exempt

from the tough, new rules attached to welfare receipt. So, I think long-term dependence, which is what we should be most concerned about at this point, really remains a sleeping giant in the wake of welfare reform.

A closer look at the remaining caseload does bear this out. Studies show that those who are left on the rolls four years into reform have less education, fewer basic skills and less previous job experience. Furthermore, we're finding out that an increasing proportion of people left on the rolls are people who have been there for more than five years. So, the possibility of an entrenched, immobile, and really segregated underclass, that people like Charles Murray have spoken so convincingly of, really have surfaced as we've moved some of the easiest cases from the top.

Now, not until recently have researchers really begun to probe the question of what has become of the nearly 8 million people who have succeeded in moving off the welfare rolls since the new law was passed. On the one hand, fears that welfare reform would plunge a number of recipients into poverty, hunger, and homelessness for the most part have turned out to be unfounded. Most who left the rolls since enactment of reform have not experienced decreased overall well-being, and many have actually profited in moving off of welfare.

As it turns out, between 60 and 80 percent of former recipients do end up finding work after welfare. Of those who are working, most are working full-time. They're having their earnings subsidized by a generous combination of state and federal earned income credits, and most continue to retain access to or continue to be eligible for a whole host of other government non-cash benefits, like Medicaid, child care assistance, and food stamps.

So, with the help of a booming economy, poverty has continued to fall in every year since the new law was passed. The child poverty rate is the lowest it has actually been in 20 years. When asked in surveys about life after welfare, former recipients overwhelmingly respond that their lives are easier off the rolls and that they feel more hopeful now than before about their future well-being.

Now, the problem that I see here and this is a problem that I highlight in my paper is that increased well-being has been achieved at this great cost of sustained dependence on supplemental and, in many cases, continued cash benefits. Few employed welfare leavers are earning enough through wages alone to be better off on work than on welfare. So, as a result, around two-thirds of former recipients continue to depend on the government to meet their basic health care, child care, food, housing and transportation needs.

Now, almost everyone would agree, I think everyone here probably would, that moving people from welfare to work signifies progress, but I don't think that any honest assessment would go so far as to say that this group had attained true self-sufficiency.

So, our real challenge then and the real measure of success is how do we turn long-term dependence into true self-reliance, and I think this is a question that welfare reform seems to be only half answering. Getting people into jobs is a good first step. Getting people into long-term employment with opportunities for advancement and extending these results to the hard core of long-term recipients is a goal which I think welfare reform just is not realizing.

All of this raises the question for me of just how possible it is to fully rehabilitate individuals who have been invited to sample long-term dependence. I think it's a challenge which is not going to go away and which is going to continue to beg for an increasing amount of taxpayers' money. Already around half the states are spending more per recipient than required by the new law, and around half the states have doubled the amount spent per family that they allocated under the old system. And when the economy finally starts to slow, you can bet that the war against existing dependence is not going to get any easier or cheaper.

So, with no magic solutions so far, where do we go from here? I think having seen the limits of what welfare reform can do for people already dependent on the system, it's really time to adopt the old rule that an ounce of prevention really is worth a pound of cure.

So, the clear and obvious answer to ending long-term dependence is to prevent it from taking shape in the first place. This kind of preventive effort involves, one, continuing to strengthen or focus on diversion strategies, and two, tackling head on the issue of young, unwed motherhood.

Diversion is a way of screening applicants to ensure that those with alternative income sources or people who are likely to find jobs or people with simply short-term needs never end up on the welfare rolls. States have so far found success with strategies such as urging applicants to look to relatives for help, writing short-term, one-time emergency assistance checks or offering low interest loans, referring applicants to private charities, and finally requiring people to spend weeks searching for work before ever giving them that first welfare payment.

As of 1998, about 35 states were employing some form of diversion strategy. Now, not surprisingly, what do you think the most favored approach was? It was writing those short-term, one-time emergency assistance checks, which again may be

considered a better form of welfare, but it's still a cash welfare payment. And the least favored approach, of course, was referring people to private charities or encouraging people to look to relatives for help.

It is this latter strategy, however, which I think states really need to embrace as the ultimate goal is independence of the public safety net. So, welfare agencies in all states should require applicants to look to private charitable and family support before offering any form of cash welfare payment.

At the end of the day, though, I think there does exist an even more effective way for keeping people from falling into welfare dependence than aggressive screening at the point of application for benefits. I think what we need to do is keep people from falling into those situations where they ever have to go to that benefits office and sign up for the check in the first place.

At any given time, around one-third of women on the welfare rolls got there because of an out-of-wedlock birth, and most of these women go on to become long-term recipients of welfare. Most are in their late teens and early twenties. For that reason, you will hear a lot of supporters of welfare reform citing the fact that, hey, teenage pregnancy has been going down in every year since the new law was enacted.

But if our ultimate goal is ending welfare dependence, it's really not teenage pregnancy per se that should concern us. It is, as I've just said, out-of-wedlock births, and this is an issue which welfare reform really seems to be failing to addressing.

Around three-quarters of young mothers continue to have their children out of wedlock, which is the same disturbing figure as when the new law was enacted, roughly the same, and overall illegitimacy among all age groups put together has been worsening since enactment of the new law. At present, around one out of three children in this country is born out of wedlock and most to women between the ages of 18 to 24.

One of the reasons that welfare reform has not succeeded in tackling this key cause of dependence is that it has been so focused on cleaning up the damage wrought by the old system. The new emphasis of welfare reform should be preventing more of this damage from occurring in the first place. As long as welfare continues to be an option for young women getting pregnant out of wedlock, I think women will continue to do so because they believe with the welfare there, that they are making a socially acceptable and economically viable choice.

Congress' next move, while continuing to support and encourage work among those currently receiving welfare, should be to enact a prohibition -- this is going to be a tough one as

well -- against anyone new from signing on to the rolls. That should go into effect 9 months and 1 day from signing, so that women thinking of making these choices will have an incentive to think twice before getting into an unsustainable situation. If the welfare system no longer permitted new entrants, it is very likely that the proportion of all births that occur out of wedlock would decrease substantially.

Now, a number of people -- and I'm guessing a number of you -- may be thinking, okay, sure, ending welfare may dissuade some people from making bad choices, but there are always going to be families living in poverty and women having kids out of wedlock. How could you possibly think of ending or taking away help from these people?

My answer to this is that cutting off the flow of government handouts to the poor is not akin to leaving people out to starve. I wonder why it is that we think the only compassionate and effective means for helping people back onto their feet is some government run program?

Encouraging people to make wise choices, and if that fails, to look to the communities and families for support is a far kinder and generally far more effective approach. We have at present a rich variety of private and faith-based efforts in this area. Some involve helping people turn their lives around

through job training and coaching and connecting people with employers.

Others use faith as a vehicle for personal transformation, and others simply ensure that immediate needs continue to get met through provision of food and shelter. So, these initiatives have generally been more effective at moving people out of poverty and meeting immediate needs in a shorter time with longer lasting results and at a lower cost.

As it stands, if I had to give welfare reform a grade, I would give it a grade of about C. The 1996 legislation, while moderately successful in reducing the incentive for people to leave welfare, has produced few gains in self-sufficiency and has done little to dissuade women from entering the rolls in the first place. I think it's time for policymakers to really take seriously this idea of ending welfare as we know it, rather than simply tinkering with this decades' old fundamentally flawed program.

Until welfare is no longer available or an attractive option for women considering making untenable life choices, I think this country is going to continue to spend an endless amount of energy and taxpayer money trying to cleanup its dependency problem. But I think even more important than that, if our true goal is compassion, then let's end welfare so that

low income families never have to experience the debilitating or demoralizing trap of welfare dependence.

Thank you.

(Applause.)

MR. TANNER: Thank you, Lisa.

If you go around town very long and you start talking about welfare reform and the questions come up, one of the answers you always have is, well, go ask Ron Haskins because it's generally acknowledged that he'll know the answers. Ron is the Staff Director for the Subcommittee on Human Resources of the Ways and Means Committee up on the Hill.

Previously he was a research professor at the University of North Carolina, Chapel Hill, and a lecturer in history and education at the University of North Carolina, Charlotte. He has also been a high school social studies teacher. So, he has sort of covered the gamut of North Carolina education I think.

He has spent 13 years now in Washington where he has worked on welfare reform, child care, and a host of other issues relating to them. He's the man generally considered to have the numbers here in town and one of the brains behind welfare reform, the bill that passed. We're happy to have Ron Haskins with us today.

(Applause.)

RON HASKINS, STAFF DIRECTOR,
SUBCOMMITTEE ON HUMAN RESOURCES,
HOUSE COMMITTEE ON WAYS AND MEANS

MR. HASKINS: Well, first I'd like to congratulate Wendell for showing up. Wendell and I often have occasion to be on a podium like this together, but usually we're in a room that's full of crusty old liberals and socialists and one fine, young conservative in there who happens to be sitting next to Wendell. Now, we're in a room full of fine, young conservatives and libertarians and only one socialist is here. So, Wendell, good luck.

(Laughter.)

MR. HASKINS: Turnabout is fair play.

Actually on a panel like this, I think the ratio is about three to four, and I think that's just about the ratio of credit in this bill to Republicans and Democrats. It's essentially a Republican bill, and as I can see quite clearly from Lisa's remarks not a Libertarian bill. We'll get to that in just a moment.

I hope all of you have a handout because what I would like to do is race -- and I do mean race -- through what the welfare bill did and what its results have been, and then I'd like to talk about the steps ahead.

There were two problems that the bill attempted to address. The first one, of course, was welfare dependency, as Lisa has indicated. Ironically, we used to debate this topic a lot in Washington. And Democrats would say people go on welfare and come right off, and some say, no, no, no, they go on welfare and they stay on forever. And we had a fine debate because nobody knew what they were talking about.

Then in the 1980's we received a wonderful study from Harvard University no less, authored by David Elwood and Mary Jo Baine, both of whom wound up in the Clinton administration and they left before it came time to actually administer that wonderful Republican bill, but they played a role in the actual welfare reform.

The research, which has been replicated many times since then, showed that at any given moment, if you look at the welfare rolls, 65 percent of the people will eventually, if you count repeat spells, be on eight years or more. In all my years in Washington, I think that's the only time I ever saw a big debate ended with data.

People still deny it, but it's impossible to deny that welfare dependence was a really serious problem, that people went on the rolls, some people came off, went on, and came off, some people stayed off. But at any given moment, for example, in 1994 on the eve of the welfare debate, probably 3.2 million

or 3.3 million people would eventually be on welfare for eight years or more, and the average spell would be probably close to 15 years, as subsequent research shows. So, dependency was a huge problem, and the anecdote that Republicans selected -- its a traditional anecdote for Republicans and for Americans -- mandatory work. So, that was one strand of the debate.

The second strand -- and one that ironically Moynihan tried to start in 1965, although he had no idea where it was going to lead until this gentleman on my right here decided to take it seriously -- is illegitimacy. There is no question in my mind -- and I don't see how there can be any question in anybody's mind who does a fair assessment of the data -- that illegitimacy is the motor that drives poverty and all kinds of social problems in this country.

I do agree with Lisa that unless we can solve illegitimacy, we will still have a major welfare problem. We can have much less of a welfare problem than we've had in the past, but we still have a major welfare problem. I'm not going to say any more about illegitimacy in this address.

There are about 15 provisions in the bill, some of them quite good. We actually took a version of the Murray solution and now the Oliphant solution which is to actually cold turkey stop benefits. We tried to do it with food stamps, cash for young mothers. We actually got the end of cash through the

House and it died an ignominious death on the Senate floor, and a majority of Republicans failed to support the proposal. So, it actually passed the House, but we could not get it through the Senate, and it only applied to teenage mothers. I'll let Charles determine whether other provisions in the bill have made an impact.

If you look at the next handout, let me talk now about how we end welfare dependency and what the Republican plan was for truly transforming welfare, and it's easily summarized in five statements.

The first is end the cash entitlement. The idea was this strikes right at the heart of the system that liberals and Democrats have built over the years, which is that people are entitled to benefits. It's a strange concept that people, if they have children they can't support and refuse to work, then taxpayers are obliged, obligated legally to pay them benefits. So, we picked out cash as the most prominent part of that system, the most notorious part of the system, and we ended the entitlement to cash benefits.

This was always the first target of Moynihan's response. If you want to know what the other side is really worried about, look at their real thinkers. That was I think the most important thing, that for the first time in American

history, we ended entitlement. The concept that you deserve welfare benefits at least got a terrific jolt in 1996.

The second is block grant funding. This, of course, provided states with serious financial incentive to help people get off the rolls. In the old days, if you help people get off the rolls and the rolls went down the federal government rewarded you by cutting the amount of federal dollars you got. Now you get a fixed sum of money. If you help people get off the rolls, you keep the same amount of money. So, you have a lot more money per recipient.

Third part of the bill was work requirements. Robert Rector and many other conservatives in town here worked very hard on these provisions. Of course, we had had work requirements, so to speak, in the past, but none of them were ever actually requirements. This time we actually set requirements. We set percentage goals, and both individuals and states would suffer financial penalties if they refused to participate in these work requirements.

The fourth, of course, as I've already suggested, is sanctions. There were true sanctions in the bill. As we speak today, I believe about 37 states actually have a full family sanction, which means if you don't do what the states say, you can lose at first part of your benefit and eventually -- and in

some states eventually comes pretty quickly -- you lose your entire benefit.

Then finally, a five-year time limit. This has gotten attention out of all proportion to its actual significance. We can discuss that later, if you would like to, but I think it was a very important signal, because it signaled, like the name of the program itself, Temporary Assistance for Needy Families, that welfare is temporary. You are expected to get off welfare, not to be dependent on welfare.

So, what's happened?

First, as Lisa suggested, the rolls have declined. A lot of people, including Wendell, are quite critical about folks who emphasize the decline in rolls because they take this to be an inadequate measure of welfare reform, and I entirely agree with that. But I wish everyone would just pause for a minute and think if someone had told you that four years after we enact the welfare reform bill, the rolls would be cut by well over 50 percent and that 2.4 percent of Americans would be on cash welfare, which is the lowest since 1965, four years after welfare reform, nobody would have believed that.

It is a remarkable achievement, completely unprecedented in the history of American social policy, and it's the sine qua non of successful welfare, which is getting people off the cash welfare rolls.

The second outcome is massive, spectacular increases in work, especially by female heads. If you look at the next chart, these are based on Lieber's studies of the states.

The Congressional Research Service, by the way, has just written a wonderful summary, about 130 pages, of everything we know so far from research and demographic data about welfare reform, survey data, and they have a very nice study of Lieber's in there.

This is based on an original study that GAO did two years ago, but the results are basically the same. At any given moment, about 60 percent or so of the people who leave welfare are employed. If you look over a period of time, about 80 percent are employed. So, there are some still some people that aren't employed, but generally people are employed.

If you look at the next chart, I think this captures what to me is really the most remarkable achievement of welfare reform and a good economy and lots of other factors, but welfare reform is right at the heart of it. As you can see, the top chart there, the top line in that graph is married women in the labor force, and that just continues at the historic 20th century trend which is more and more married women working.

The second line is all female headed families. As you can see, starting about the mid-1990's after more than a decade of almost complete stability, there was a big increase, so much

so that in the last two years, 1998 and 1999, the probability that a single mother would have a job is actually higher than a married mother for the first time.

But even more impressive, the last line is never married mothers. These are the mothers most likely to go on welfare, the mothers most likely to stay on welfare for a long time, and the mothers least likely to leave for work. And if you look at that line, you can see that there has been a dramatic, over 40 percent increase in work by these never married mothers. If you will look at the source of that data, it's Gary Bertless at the Brookings Institution. And Gary and Brookings, neither one, have their conservative credentials in very good order, so I think you can count on these data being absolutely accurate.

The third effect is poverty. I think Lisa went entirely too quickly over poverty. I would expect -- and Charles and I may have an opportunity to discuss this in more detail, that there would be a number of conservatives, and especially Libertarians, who would not accept reduction of poverty as an adequate goal of welfare reform. They would not accept that. I think it is a reasonable goal of welfare reform. I think the American public does not want children living in poverty, and I think it's a reasonable goal of welfare that we should help children escape poverty.

If you look at the next chart, you will see that we have had dramatic success. Wendell here on my left, for the first time that I can remember, was the author of a report that predicted that about a million kids would be put in poverty by that Republican bill. Senator Moynihan used that incessantly in speeches and in things that he wrote.

As you can see from these data, in 1995, 1996, 1997, and 1998, the welfare rolls were declining, and in all four of those years, those declines in the welfare roll exceed the percentage decline in any previous year. So, huge declines in welfare, simultaneous with declines in child poverty and declines in black child poverty. Jesse Jackson notwithstanding, who is still running around saying poverty is up, poverty is up, black child poverty in 1997 had its biggest single-year decline ever.

If you turn the chart now, you will see that those data, which are based on official poverty statistics, actually dramatically under-represent progress against poverty. If we use a broader measure that takes into account -- I think Lisa used the term "supplemental dependency" to refer to these programs outside the welfare system, like the earned income credit, like child care and so forth. You can see here that if we use that measure, there has been even more of a reduction in child poverty.

In fact, if you look compare the 1980's and the 1990's, I want to use these numbers to make a point that I think is extremely important. In the 1980's, we had an economy that was virtually as good as the economy we have now. We added about 19 million jobs. We've added 20 some now. If you look at the impact on child poverty of that wonderful economy of the 1980's, you will see that child poverty went from 15.6 percent to 13 percent, which is a 2.6 percentage point or 17 percent reduction.

Now, if you look at the 1990's, you will see that poverty has gone from 15.5 percent to 11.1 percent, already almost a 30 percent reduction in child poverty in just five years. So, we've done almost twice as much in five years as was done in the 1980's in six years in reducing child poverty. So, we're having dramatic success, and the reason becomes clear if you look at the next page.

This is a study that we asked the Congressional Budget Office to do, and we asked them to do the following exercise. Pretend that Congress had not changed any laws that provide supplemental dependency benefits, using Lisa's term, to people who have left welfare, working families, the earned income credit, child care, the other entitlement programs.

Pretend that Congress did not change any laws after about 1984 and then analyze the actual census data for the

characteristics of the population in 1998 or 1999 and predict how much money would be spent under these programs. The answer is, you can see in the left bar graph, is \$5.6 billion. So, if Congress had left the laws alone for supplemental benefits, it would be \$5.6 billion.

Now repeat the exercise, and this time use the actual laws that Congress passed and your prediction of how much money will actually be spent. And the answer is \$52 billion.

So, what we have had is two revolutions, not one. We've got the welfare revolution. We ended welfare as we know it. We required people to work. Meanwhile, over a period of more than a decade, Congress expanded what we might call the work support system or the supplemental dependency system to subsidize the low wage work that mothers from welfare could qualify for, and as a result of that, we have had these dramatic reductions in child poverty.

Now, if you will turn the page, there are a number of jobs left to do. I'm going to mention a new one first, which is I think that the reduction in child poverty, which is attributable directly to Republican courage in 1995 and 1996, despite -- and by the way, the quote that you read was quite mild compared to the charges in the House and the Senate, especially in the House where Republicans were accused of being Nazis coming for the children in the middle of the night and

other things. And House Republicans stood fast and passed a very tough welfare reform bill, and the President, for reasons that will forever mystify me, actually signed the bill, and the rest, as you have seen, is history.

We did the right thing. We should continue on this path. It is a major achievement to be able to get people off welfare and to subsidize them only based on their work and not on their welfare. And the results on child poverty are extremely good.

The second thing is that we should look carefully at Medicaid and food stamp enrollment. I think food stamps is badly stigmatize. I think that's a good thing. Stigma is a very good thing. A lot of people don't want food stamps. Fine. They don't have to take it, but if they want food stamps, as long as they're entitled, we should arrange administrative systems in the states so they can get food stamp benefits while they work.

The second is floundering families. There are a group of families at the bottom, a fairly substantial group, who do have a lot of trouble. They don't get welfare and they don't get that wonderful work support system because they don't work. What are we going to do to help these families? These families are truly floundering and their children are in trouble. There may be half a million to a million of them, and we really don't

have good ideas about what to do to help these families. We should figure it out.

Third, as I've said before, we have to do something about non-marital births. The policies we started in 1996 should be continued. We should try new policies. I especially would like to try the Murray policy of ending welfare benefits, as Lisa suggested, for young mothers.

Finally, also as Lisa suggested, we should do a lot more to help young mothers retain their jobs because they have a pattern of in and out of the labor force, and to help them advance.

Those will be immense challenges for government. It is not clear to me that government can actually achieve those ends. So, those are the things that we should try to address in welfare reform.

I would conclude in this way. I quote the famous conservative Mickey Kaus. What works is work. We're on the right path. Let's keep going in this direction.

(Applause.)

MR. TANNER: Thank you very much, Ron.

If you've been around Washington as long as I have, you find quickly that there are a couple of things that are often in short supply. One of those is people who are willing

to take a stand on principle. The other is people with courage. I think our next guest has displayed both.

Wendell Primus certainly has a history of standing on principle, and by coming here today, he has amply demonstrated his courage.

(Laughter.)

MR. TANNER: So, we are happy to have him here today.

Wendell Primus is now with the Center on Budget and Policy Priorities as Director of Income Security. But before that, of course, and probably best known, he was with the U.S. Department of Health and Human Services as Deputy Assistant Secretary for Human Services, Policy, in the Office of the Assistant Secretary for Planning and Evaluation.

He has also served as chief economist for the House Ways and Means Committee and Staff Director for the Committee's Subcommittee on Human Resources. So, he shares something in common with Ron.

He has been very outspoken on welfare reform and the future of welfare. He is widely respected in this field here in Washington, and even if we don't always see eye to eye, we're sure happy to have him here today.

Wendell.

(Applause.)

WENDELL PRIMUS, DIRECTOR OF INCOME SECURITY,
CENTER ON BUDGET AND POLICY PRIORITIES

MR. PRIMUS: Thank you, Michael, for those kind words. It is a pleasure to be here and enter into a dialogue with my conservative and Libertarian friends.

I listen to Ron more and more, and we do these panels quite often. I must say that over time, Ron, you have really mellowed. I'm finding it harder and harder to find disagreement with you.

And Lisa, on the other hand --

(Laughter.)

MR. PRIMUS: Let me begin with just a couple of preliminary remarks to inject a little debate in here. She talked a lot about mothers and changing the behavior of mothers. I think that's one of the things that's wrong with her report. I didn't hear any mention of fathers or dads or trying to change their behavior.

And I think this society that looks to mothers to be the parents, the caretakers, as well as the bread winners, is making a mistake. I don't disagree with her entirely. We should be trying to get mothers into the work force, but we also have to do a lot more with dads of these children of very low-income families.

The second I think is a philosophical difference, and that is, I believe that in this free, competitive economy of ours, that not all people are born with a capacity to get themselves and their offspring or their children out of poverty. Yes, they should be working. We don't have an argument about that. And I agree 100 percent with what Ron has said about work, but there are going to be many individuals who have disability or mental handicaps or for a period are victims of substance abuse or accidents or whatever that do not have at a point in time the capacity to earn enough to get themselves and their children out of poverty.

Therefore, I believe that government has an obligation through the political system to add to their work earnings additional income to move them up to a liveable standard of income. And if we do that -- and Lisa calls these supplemental entitlements or a work support system -- there is nothing demoralizing about receiving aid in that manner. As long as they're working or making some efforts towards self-sufficiency, the American public I think is fine with that and we clearly should have a role of reducing poverty. I think those are my chief differences with Lisa's analysis.

I also want to say that when I resigned, the bill has changed a lot. In 1997, there were major changes in the bill dealing with immigrant provisions. At the time, CBO projected

that \$54 billion was going to be saved over about the next six or seven years. Almost half of that came out of immigrants, and those changes, for the most part, were wiped out in 1997. We still have a ways to go I think in looking at how this bill has affected legal immigrants, but we made a very good start.

What's left of this bill in some ways? There's the part that I'm going to talk about that has been the subject of this conversation, TANF.

But the most important part of the bill in terms of budgetary savings was the food stamp program, probably on the order of about \$7 billion a year. Those were primarily budget cuts. There wasn't any policy there. I would argue that one of the reasons we haven't made as much progress against poverty is because we cut the food stamp program way too deeply. Today only 40 percent of the working poor that are entitled to benefits actually get benefits from the food stamp program. That probably is our chief problem.

There are two recent reports. The Welfare to Work Partnership issued a report today that contains recommendations to increase the number of working poor getting child care and food stamps and Medicaid. And the Progressive Business Group several months ago did the same thing. So, I think I'm in the middle here as opposed to being way on the left, and we've got

to help the working poor add to their earnings sufficient income so that they get themselves and their children out of poverty.

What do we know thus far about welfare? Again, Ron has really given you a pretty good picture. Yes, caseloads are down by a little over half since their peak in March of 1994 in the TANF or AFDC program. They're down by over a third in the food stamp program. But they've declined much faster than poverty. In fact, the number of children in poverty has declined about 10 percent, yet the number of children getting TANF between 1995 and 1998 declined by 35 percent. If the economy was the chief driving force, these numbers should have been more in sync.

It's also clear, as Ron has stated, that employment and earnings have increased significantly for single parent families, but for most of them, they're typically earning \$6 an hour, \$6.57. Their earnings are far below poverty, and even Lisa agrees with that. We have many people leaving the rolls, about 30-40 percent that leave and do not have earnings at the time they leave welfare.

We know that many of the leavers actually have a decline in income once they've left the rolls. Food stamp and Medicaid utilization is down, and most welfare leavers, only about 20 percent, are getting child care subsidies. Indeed, poverty has deepened for the poorest quintile of families, and

there has been almost no progress in reducing the poverty gap during the last few years.

I think the reason for this -- and I'll be the first to credit welfare reform for increasing the employment of single mothers, but there has also been the economy and there has also been the policies of making work pay, the significant increases in the earned income tax credit. We've also had increases in the minimum wage.

All of those factors have contributed to the caseload decline and have contributed to the increase in employment among single mothers with children. I think it's going to be very hard to disentangle what the impact of the economy versus the impact of these make work pay policies versus the contribution that welfare reform has made. While academics are trying, I think they're not going to be very successful.

It is true that employment increased significantly, but I think the bottom line is what has happened to their income. We did an analysis about a year ago at the Center and found the following, that for single mothers with children that were in the poorest fifth of the population -- there are roughly about 1.8 million families or 6 million mothers and children in that poorest quintile -- they had a significant income gain of \$1,000 between 1993 and 1995, but then over the next three years, their income actually declined by about \$350. So, on

average, those 1.8 million families lost \$350. That means our emphasis on caseload reduction has overtaken our concerns about reducing poverty.

Even for the next quintile, mothers with incomes between 75 and 112 percent of poverty -- that means mothers in the \$10,000 to \$20,000 income range roughly -- had an increase in earnings of \$2,400. They actually got more earned income tax credits as a result. But at the end of the day, their income was only better off by about \$400 to \$500. So, they earned \$2,400 to \$2,500.

My question to you is if they earned that much more, why didn't their income increase by at least \$1,500 to \$2,000? And the answer is because those families lost food stamps and other work supports.

To drive that point home, yes, it's true, as Ron has said, the number of poor children has declined, and you would expect it to. We're in the longest economic expansion in our U.S. history. Child poverty rates ought to be going down. But if you measure poverty by the poverty gap, the amount of income that it takes to move every child or every family with children up to the poverty line, we have made no progress, zero progress, in the last three years.

That poverty gap has remained at \$25 billion. And in a report that the administration sent to Congress this morning,

they verified once again that the poverty gap of all families with children has not moved a single bit during these last three years.

So, what should we do? I think over the next year, we should take a lot of what Ron has said. In fact, there's a very good bill moving through Congress right now that builds on the welfare reform efforts. Today when low income dads pay child support and the mothers are still collecting TANF, there's 100 percent tax rate. The dads pay and the mothers are not one iota better off as a result of that payment.

The bill that will be taken up on the House floor and I think will pass by a wide margin on the floor changes that so that more of the child support paid by these young dads will actually go to welfare leavers, and even for mothers that are on welfare, the states are given an incentive to disregard that, so that when dads pay, they don't face a 100 percent tax rate.

The second thing I think we should do is to really increase the work support. We have got to take the number of families getting child care and food stamps and Medicaid up from 40 percent, in the case of food stamps up to 70 or 80 percent. When people are working, we've got to make sure that they have a liveable income. That would reverse, if you will, those budget cuts that were made in the food stamp program and we would make

significant improvement in that \$25 billion poverty gap that I mentioned a few minutes ago.

I think we should not reduce the TANF funding level. Ron and I agree on that, and I would argue that if you think this law is doing the right job of moving mothers into work, the last thing we ought to do is --

(End Side A. Begin Side B.)

MR. PRIMUS: -- that the conservatives view as working.

We need a continued focus on TANF adults with multiple or significant employment barriers. I would argue we ought to revisit the federal time limit on cash assistance. I think again if those families are working and doing the right thing, we ought to look at what states like Illinois and Maryland and some others have done that stop the clock when the mother is working.

In addition, if we really believe in two-parent families, we need to provide services and benefits to them. Today the participation rate, holding income the same, is about one-third of that of single mothers, very few children in two-parent families, yet the Medicaid assistance and the food stamp assistance that they're entitled to. As a result, many children in two-parent families are also in poverty.

I think we should change the central focus of the law from caseload reduction to again continuing the emphasis on work, but also adding to it poverty reduction.

Finally, I think we ought to assist non-custodial parents in meeting their financial responsibility. We need to put more emphasis on that population.

In fact, Paul Offner has shown that over the last six or seven years, the employment rate and the labor force participation of black women aged 20 to 24 has actually now exceeded that of young black men of the same age. If we're going to build strong communities, it does not help to have all the females working hard and taking care of the children and the young men sitting idly on the corner. That is not a definition of a strong community.

So, I think we've got to do what the bill that the House will pass in early September and that is give incentives for them to pay.

I think we need to change the culture of the child support office, much like we tried to change the culture of the AFDC office, to worry about these young men being employed and not just worrying about whether they're paying their child support. So, we need to give them services and help them into the labor force.

I think we also need to look at some child support policies directly, the modification, the size of the order, and some other aspects of what the child support system is doing to their incentive to stayed employed.

I think my time is running out. But if there's one thing I want to leave you with, it is, yes, this welfare bill in some sense has been more successful than I would have predicted back in August of 1996, but we still have a long ways to go. We have made little progress in reducing child poverty, and I think we can do better. The laws are already on the books. We just need to implement them in making sure the working poor get the supports they're entitled to.

(Applause.)

MR. TANNER: Working at the Cato Institute, and indeed for the people who work at other think tanks around town, one of the reasons we're here is that we believe that ideas have consequences.

Now, of course, sometimes looking at Congress it's hard to see that, but the reality is it does. I think exhibit A is the book that was written by our next speaker in 1984. Charles Murray's *Losing Ground: America's Social Policy 1950 to 1980*, was perhaps one of the most influential books of ideas ever. It transformed the debate in this country about welfare reform, and it ultimately had consequences leading to the

welfare reform bill of 1996 and to the debate we're having here today.

Since then, he has been involved in many other issues and has done a great many other things. Of particular note to the Cato Institute is his book, *What it Means to be a Libertarian*. But of particular note to this debate is his most recent monograph, *The Underclass Revisited*, which was published last year by the American Enterprise Institute. Very few people that I've known personally have had such an influence on the public policy debate.

We're happy to have Charles Murray with us today.

(Applause.)

CHARLES MURRAY, BRADLEY FELLOW,
AMERICAN ENTERPRISE INSTITUTE

MR. MURRAY: Thanks very much.

I'm going to focus on non-marital births which have come up with the other speakers. I'm going to dwell on them almost exclusively.

But I do want to say at the outset that that trend line for the caseload, Ron, if it looks like I'm not giving that enough importance or enough credit, I want to say right now that's phenomenal. In the social sciences, we have a program

intervention and then we use 15 independent variables to see if we can tease out a regression coefficient for our program which is statistically significant, and we spend a long time arguing whether it's valid or not. A trend line that goes like that is unheard of. Of course, the economy has something to do with it and all the rest of that. It's still a phenomenal achievement.

Non-marital births. This is a newer, kinder, gentler Charles Murray. I'm not calling them illegitimate today.

(Laughter.)

MR. MURRAY: I think that's technically the accurate sociological term for births out of wedlock. I also think that a lot of people have that set their nerves on edge so much, as I keep using the word, that they aren't hearing what I'm saying. So, I will now become politically correct and call them non-marital.

There have been a couple of major shifts that have gone on. Mike talked about the consequences of ideas. I think this debate and the subsequent policy steps will also continue to be driven by ideas. I think the accepted elite wisdom, if you will, about what is the right thing to do will in future years have as much to do with next reforms as it had with the welfare reform bill of 1996.

I will tell you one major reason why we were able to pass that bill in 1996, and that is there had been a fundamental

change in the elite wisdom on the nature of non-marital births. There also have been changes in the elite wisdom on the nature of welfare dependence and so forth.

But in the 1960's and 1970's and then on into the 1980's, particularly after the rise of very strong feminism, there was a period in which it was decided that the marital status and the circumstances of the household in which a child grew up was irrelevant. I remember calling Professor Mott at the Ohio State University who runs the NLSY in the 1980's and asking him about some data. I particularly wanted to know what the numbers were for unmarried mothers. And his response was, well, we actually don't think that's even very relevant. We think that the poverty of the family, racism, educational levels are really the important things, so I can't even give you the data on unmarried women.

The next benchmark there comes down in Boca Raton in the lap of luxury not, I should say, sponsored by some conservative institute, but by the Urban Institute where I was invited as a token Libertarian/conservative for some briefings they were giving for Congressmen. I was coming on after Sarah McClanahan, who is a well-known professor now at Princeton, who had studied the issues of children for many years.

She came on before me and proceeded to give an absolutely brilliant and very courageous presentation of all the

latest research which was showing that for a child to grow up with a single parent was damaging in ways which persisted after controlling for poverty, after controlling for racism, after controlling for education, and all the rest. She concluded that by saying, I think liberals have a special obligation to make this research known because we have been saying the opposite for many years.

It was a landmark event in my life, mirrored by what was going on in the technical literature, for starting in the early 1990's, you could hardly pick up a copy of a technical journal like *Demography* or *Journal of Marriage in the Family* or *Child Development* without starting to see articles like that. By 1996, it was accepted by policy makers and by scholars in a way which had been unheard of in the 1980's, that what we're looking at and the kinds of problems addressed by the welfare reform bill was bad for kids. That was one major shift.

A second major shift has received much less attention up to this point, although I'm going to do my very best to give it more attention in the future, and that is the accepted wisdom on the relationship of welfare to non-marital births. When *Losing Ground* came out and suggested that welfare was importantly implicated in this, a mimeographed paper by David Elwood and Mary Jo Baine was immediately cited as definitive proof that I was nuts, and that pretty much stayed the accepted

wisdom through the rest of the 1980's. Murray makes all these claims about women going out and having babies and they wouldn't do it if didn't have the welfare system, but social science has looked into this and social science knows it's not true.

Well, actually there was very little work that was done, and that mimeographed paper, if you ever actually pick it up and read it, no one would think it was a definitive refutation of it. But the fact is there wasn't a whole lot of other solid empirical work out there.

Then some stuff started to come out. So, when Professor Moffitt of Brown University wrote his literature review of the relationship of welfare to non-marital births in 1992 in the Journal Economic Literature, he said, yes, there's some evidence there may be something, but it's not worth worrying about. That's, in nontechnical language, the nature of the conclusion.

Well, more work continued to be done, and Robert Moffitt had another literature review, which just came out in 1998. This time it turns out that a simple majority of all the studies he reviews do find a significant relationship between welfare and non-marital births, but of course, there's a big range in the effects they find. It's quite a change.

There are now several studies, half a dozen studies, good studies, solid studies that find a very important effect.

One of the most well-known, for example, concludes that if you had a quarter drop in welfare benefits, you would be associated with a 30 percent drop in the non-marital birth rate. Others have shown effects of about that magnitude. Others have shown much smaller effects.

I ask you, suppose that we had half a dozen studies showing that if we had a 30 percent increase in per-child funding for Head Start, that we would get a 25 percent reduction in subsequent criminal activity. Now, would the headline in the New York Times be Head Start May Not Work because there are three studies that found a much smaller effect?

I don't think so, and appropriately not. Social science is a very immature discipline, and the fact we get inconsistent results with the kinds of issues we go after is to be taken for granted. When we have several scholars finding an important major effect, that's news, should be news. It hasn't been so far.

Another aspect of this I think that's worth noting is virtually none of those scholars wanted to find that result. We are talking here about an unpopular relationship between welfare and non-marital births, and it has some of the power I think of a hostile witness when you look at the research. The fact that that has changed, however, offers a promise for more changes to come.

For example, so far we have been looking at the effect of welfare on non-marital births within what social science would call a truncated range, which is to say the differences in welfare benefit packages you can look at are not huge differences where you've got one as being 30 percent of the total another. If you take Medicaid and food stamps, which are invariant across the states and then all you can add in is the cash difference and AFDC, you're actually talking about change at the margin.

Now, suppose for purposes of argument that what we are talking about here -- and this is purely for purposes of argument -- a regression coefficient in our analyses which says if you reduce the welfare benefit package by 1 percent, you get a half percent reduction in non-marital births. Well, if you assume that that's a linear effect across the range, then 100 percent reduction in the welfare package implies a 50 percent reduction in non-marital births. Would it be that large? We don't know.

My own feeling it's very possibly much larger because I'm not sure that this is a linear response at all. I think as you move down toward a level of welfare benefits which obviously is completely inadequate to care for a child, you're probably going to get a nonlinear effect, but the point is we don't know.

That leads to the next step that needs to be taken and that is to get the motivation to find out. Earlier I said that there was consensus on the fact that non-marital births are not good for kids. I've never talked to Wendell about this issue. If I had to make a prediction, I would predict that Wendell agrees with that, but I would also assume that he is part of a group that has a soft position on this.

Poverty is bad for kids, too. Poor education is bad for kids, too. Single parenthood is bad. All of these things are bad. We ought to try to do something about all of them, but none of them are especially important more than the others.

The hard position which I take is that non-marital births in high density are crucial to driving the creation and persistence of an underclass. By that I don't mean the situation in which the boy on the block doesn't have a father but all of his friends do. I think in that case socialization proceeds pretty normally.

The argument I have made in print many times and I will summarize real quickly here is that it's when a little boy grows up never having known any adult male be a sexually responsible and faithful partner to his wife and be a loving father and to get up and go to work every morning, when he doesn't know any men who behave that way, some essential

transmission lines of socialization are severed. I won't go into the ways in which girls are also damaged by that.

I will make the broad statement that when you have a very high density of non-marital births, you have communities which are custodial, which is to say they can't survive as communities. They have to be subsidized economically by the government and you have to have an intensive police presence and you have to be ready to institutionalize the incompetents, homeless shelters, and you have to be ready to incarcerate the criminal. Now, that's the hard position and that one there is not consensus on.

So, my life's work, Wendell, is to move you toward the hard position at this point, and putting it more neutrally, let's do a lot better work on seeing whether the hard position may be right because I've got news for you folks. Despite those big reductions in the welfare caseload, which are terrific, do you want two other statistics? One of them was alluded to by Wendell.

A rise in dropout in the labor force among young black males during this boom economy, a big dropout. So, we now have 26 percent of all black males 16 to 24 not in the labor market, not looking for work. If you want a symptom of lack of socialization to the world of work that I'm talking about, there's one.

Falling crime rates? Over the period of the 1990's when we've had those falling crime rates, the percentage of both white and black males under correctional supervision -- I'm not talking about imprisonment now, which is a very inconsistent measure over time depending on whether you want to put people in prison or not. I'm talking about probation, parole, all of those things which are a pretty consistent sign of criminality. It's gone up by 20 percent for both blacks and whites. Twenty-nine percent of black males 20 to 29 are now under correctional supervision. Actually probably more than that by this time. Another symptom of a growing underclass. It's not going to bring down the republic.

I think one of the saddest things about the current situation with the underclass is that nobody really much cares because we've gotten the underclass out of our face. The homeless aren't nearly as visible anymore. We've gotten rid of things like busing, which had kids from that part of town coming into our schools. We've gotten rid of a lot of graffiti. The underclass doesn't bother us anymore.

Well, I'm afraid that it's probably still growing. I'm afraid it's growing among whites as well as among blacks, and whereas it won't bring down the republic, we're talking about human suffering and children's lives being blighted in

ways which all of us in this panel think are inadmissible in a country like this.

So, whereas we have many differences about how we go about them, I'd like to make common cause with Wendell and others who are cautioning us against complacency in the face of this boom economy and the wealth that we see around and the rest of it. We have major problems to tackle and they will only be solved when once again ideas are accepted that have consequences.

Thank you very much.

(Applause.)

MR. TANNER: Well, thank you very much. We now move to the part in our program where you're going to get to participate ask a couple of questions.

Before we do, I have a very quick couple of questions I'd like to ask the panel. The first one is very simple. Lisa assigned welfare reform a grade of C as of right now. Very quickly, what grade would each of our other panelists?

MR. HASKINS: A minus.

MR. PRIMUS: C plus.

MR. MURRAY: Well, for what it was trying to do, mainly what it was trying to do, A minus.

MS. OLIPHANT: I can't believe I agree Wendell so much.

(Laughter.)

MR. TANNER: He never did grade on a curve.

The other question was I think a little bit more philosophical. It may take a couple of sentences, but please no more than that. Wendell suggested that the goal of welfare reform should not be self-sufficiency but should be the reduction of poverty over self-sufficiency. Should self-sufficiency, should making people independent of government aid, be a primary goal of any welfare reform? We'll just go right down the list here.

MR. HASKINS: Should which be the primary goal?

MR. TANNER: Should self-sufficiency.

MR. HASKINS: Yes. Self-sufficiency should be the goal, but we're going to argue about the definition of self-sufficiency. I would define it as full-time work or very close to full-time work, and that would permit the subsidization that Lisa -- and Charles didn't speak on this, but I suspect he might be opposed to it as well. I see nothing wrong with spending many billions to subsidize low income workers as long as they're working full-time.

On the other hand, I would agree with Charles that it is going to take a huge policy shift to make an impact on illegitimacy. I'm not quite kinder and gentler yet. I would like to see federal laws that would permit states to end

welfare, especially for young mothers, to see what would happen. That would be treating his idea seriously. I think we should find a state to try it. Utah is my number one candidate.

MR. TANNER: Wendell?

MR. PRIMUS: I think self-sufficiency should be a goal, but I think a primary goal should be work and responsibility on behalf of both parents, not just focused on the mother who happens to be taking care of the children at a point in time.

MR. TANNER: Lisa?

MS. OLIPHANT: I was disturbed just listening to the comments and going around the city and going to conferences and luncheons on this topic. We hear so much still, especially now after the caseload has fallen, about poverty reduction, or as Michael likes to say too, just about making poverty more comfortable. In some sense, I don't see how this is any different than the old system if we've got people still dependent in some way.

I think that Ron's point is a good one. If we can get people into jobs, especially full-time jobs, and have them dependent on supplemental benefits, then that's great, but I also think that's only good if we also see evidence that eventually people move off of these supplemental benefits and do become self-sufficient, that they are actually a means to

self-sufficiency. So far, from all of the studies I've read, I'm not sure we have any evidence that this actually takes place.

MR. TANNER: Charles?

MR. MURRAY: I guess maybe one of the things Wendell and I would argue about most vigorously is I think that poverty is just virtually a meaningless measure of whether we're making progress with regard to these kids. I think what's wrong with these kids' lives has so little to do with the quality of the food they're eating or the quality of the room they're sleeping in or the rest of it.

I think the huge problem that they face is that they are being raised -- I will be not kinder and gentler at this point -- very often by people who have no business being parents. And this is too bad for the mothers and for the fathers and all the rest of that, but boy, it's really too bad for the kids. So, I will go back to my goal for any welfare reform is that a much higher proportion of children be born to two mature, capable, loving parents.

MR. TANNER: All right. Now, I'm going to turn it over to you. Do we have any questions out there? We have a microphone that comes around, so if you would please wait until you get the microphone.

MR. HASKINS: Michael, could I make a one-second clarification?

MR. TANNER: Sure.

MR. HASKINS: Wendell made an enormous mistake in his presentation. He claimed that we undid the changes in welfare benefits for non-citizens. That is completely false. The essence of the position was that new non-citizens who come into the United States after August 22, 1996, will not get cash benefits, will not get a whole series of benefits. Every single comma in that statute is still intact and it is already having a tremendous impact.

MR. TANNER: Wendell, anything?

MR. PRIMUS: No. I accept that. Clearly the retrospective nature of the immigrant changes, for the most part, changed. I think some of the prospective changes also ought to be modified. We have to look at them, but I accept your correction very much. You're right.

MR. TANNER: Very good.

Questions out there? We have one right here and then we'll go to the back row after this. The first one right here.

VOICE: Regarding what Mr. Murray just said about the importance being that two parents raise a child, that's the important indicator, not poverty, so shouldn't that test be

applied to all families, middle class, upper class, since you can still have bad parents in those families?

MR. MURRAY: Do I want the states to start licensing parents? No. I better have an answer to that question, and my answer is very straightforward, that the natural system that occurs prior to any intervention by the state -- and here's where I'm afraid I think the women end up being -- it's not fair; it's just true that women end up setting the expectations in this matter.

So, if a woman is taught from day one that she better have a husband to help support a baby because otherwise she's left holding the baby, I think that sets up a whole set of feedback loops that develop social norms, that develop the definition of what it means to be a man, which means being a father and a good provider. All of these things start from the fact that the woman is the carrier of the baby, is responsible for it, is stuck with it.

What the welfare system does in the most essential way is to truncate the development and strengthening and application of those social norms. And the coda to that is that's the way you, by and large, end up with good parents for kids because the way you're going into this business of having a child is laden with a great deal of solemnity. It's not something you do by

accident, or if you do do it by accident, you get real serious about it right away.

MR. TANNER: In the back?

MR. WEINER: Jim Weiner. I'm from Florida.

First, I'd like to congratulate Ms. Oliphant on her performance on C-SPAN.

MS. OLIPHANT: Thank you.

MR. WEINER: I'm so sorry so many people called in thinking you were a welfare worker and asked you to solve their problems, but it was very good.

My question has to do with two words that I don't think I heard mentioned by any single person up there. One is abortion and the other is fraud. I'll leave abortion aside because it would take all day, but I can't believe that the four of you think that this is the only governmental program ever that doesn't have fraud at least on a fairly massive scale.

I think specifically of an article I read several years ago, I believe in the Wall Street Journal, saying that the City of New York reduced their welfare rolls by almost 25 percent in 90 days and virtually all of it was because of fraud. These were people who were already working somewhere, so they didn't go down and register.

So, rather than assume that every single case is a legitimate case, would one of you talk about the impact of fraud?

MR. TANNER: I'd like to turn that over to Lisa first because you do address that in your paper.

MS. OLIPHANT: Sure. Just pretty briefly in the paper really.

From what I've read at least, getting the most fraudulent cases off the rolls happened in the very early days of welfare reform. As you pointed out, people who were already working, as soon as they found out they were going to come against work requirements, they were going to be found out or people who had alternative income sources were going to be found out or didn't want to have to work, so they left the rolls. I'm not sure that fraud was actually a huge, huge problem to begin with, and Michael also deals with that in his book, *The End of Welfare*, that's available outside.

Now I think the goal is really keeping people out of the system who really don't need to be there in the first place, and that's why I talked about focusing so hard on diversion strategies. I think it may be even a matter of redefining what it means, what welfare fraud means. You could say that welfare fraud is simply getting benefits when there are alternative means of supporting yourself, even if those alternative means

mean turning to your parents or turning to cousins or brothers or sisters.

MR. TANNER: Does anyone else have any comments on the welfare fraud issue?

My understanding is that, depending on how you define welfare fraud, only about 5 percent of the welfare caseload was fraudulent. It was not a particularly high number. On the other hand, a great many welfare recipients had alternative sources of income that weren't report but they were de minimis amounts in most cases.

MR. PRIMUS: Yes. I think there is some fraud in the welfare programs, but I would argue that that fraud or the amount of it is not that much different from the amount of fraud that goes in terms of under-reporting income to the IRS. When you have 100 percent tax rates like we did on child support, it did encourage payments under the table. Also, when you have very high tax rates on earnings, I don't care whether it's on a rich lawyer or a poor mother, that rule has an impact on the amount of fraud. But relative to other segments of our society, there is no evidence that this is out of control or much different.

MR. TANNER: I think everybody agrees with that pretty much.

A question from the person in the white shirt?

QUESTION: What percentage of the money that's taken from taxpayers actually gets to recipients? Can you contrast that with actually how much of the money actually gets to recipients when someone voluntarily gives money to somebody that they actually care about as opposed to by force? Is there agreement on the board as to what percentage actually winds up in the hands of recipients?

MS. OLIPHANT: I don't know the answer to that, although I think your point is a fantastic one and is one that I bring up frequently when I say that people ought to go to other sources, community sources of support because I have feeling, a very strong feeling, that a much greater portion of that does end up going to help people.

MR. PRIMUS: I think a very high percentage. The administrative costs in most welfare programs is on the order of 10 to 15 percent, which would indicate that 85 to 90 percent of the benefits are getting through. That's not as high as a program like Social Security. Some analysts in this town would argue that it's much less, but then it's usually because the payment goes to a provider of service like Medicaid, et cetera. But they are, indeed, performing a service on behalf of those welfare recipients. So, for the most part, the dollars spent are, indeed, getting through to the recipient.

MS. OLIPHANT: I've got an exact figure here actually that I took from last year, from 1999. This is from the Health and Human Services Web site. It says that states spent \$23 billion on all TANF spending, Temporary Assistance for Needy Families, and about \$2 billion of that went to administrative costs. I think there's a limit on what states can spend on admin, and I think they were actually under that.

MR. TANNER: I think one reason this debate gets going is exactly what Wendell said. There's a question of what it means to go to the recipient. If you actually want to talk about the money that ends up in the recipient's hand, I believe it's around 25 cents on the dollar. But it's not that it's being eaten up by administrative costs or the bureaucracy, as is sometimes alleged. It's that a lot of that is payments to landlords, for example, for housing or to doctors to provide medical care where it never actually passes through the recipient's hands. So, you get a definitional debate there.

I've got one in the back and then one here. We'll get the one in the back first.

MR. MILLIKEN: Al Milliken with Washington Independent Writers. It's very disturbing to me to hear that there are people out there who have no business being parents. It would raise the question for myself, as I know it has for others, as far as the racism and elitism of that statement and question.

I'm also very disturbed that it seems to be the agreement that everyone seems to agree that part of the solution is work for parents outside the home. What importance is there as far as quality time, quantity time for parents, particularly when you're talking about a single mother to be with children, not only the time involved with work but transportation to and from work when it involves public transportation?

What about the time involved with child care and making all the necessary arrangements for that? What about the begging and pleading going on whether it's with the government bureaucracy or whether it's with a private charity trying to make all these arrangements as far as making your basic needs met?

MR. TANNER: Some good questions. I've got Charles and then Wendell has also asked to respond to this.

MR. MURRAY: I think it's way past time we started being more being more judgmental about parents. If you have a baby that you don't talk to, that you leave in that crib, that you hang a bottle on the edge of the crib so the baby won't starve and then go watch television, if you do that all day every day -- and I'm not talking about the hard cases the police and social welfare caseloads come up with.

I'm talking about ordinary cases. When you see that, you say of the woman who is doing that, you have no business

being a mother, and you say of the father who fathers children with no intention of ever taking responsibility for them, you have no business being a father. That's not racist. That's not elitist. It is judgmental, and by God, the more the merrier.

(Applause.)

MR. TANNER: Wendell, I think if you want to respond to that directly, and he also had another point.

MR. PRIMUS: Yes, I'd like to respond to Charles Murray's I thought quite thoughtful comments. I'm glad to see that he's using politically correct language of out-of-wedlock births.

MR. MURRAY: I only did it for you, Wendell.

MR. PRIMUS: But I think again the debate and where it has to go does have to revolve around this issue of non-marital births. We've learned from research done by Sarah and others that of the third of the children born out of wedlock, about half do come back to a two-parent household. They're cohabitating. So, that means at the point of birth, about 17 percent of our children are living with two parents, but by the time they graduate from high school, we probably only have 45 percent or so living with both natural parents.

One thing government can't do is legislate love between two parents, but I think that's why we've got to focus on the male side. I'm not surprised that our research is

saying, yes, maybe welfare had something to do with it.

Remember the old welfare system? In 1988 in half the states, if you were a two-parent family, you couldn't get cash assistance. So, the moment the guy earned 1,000 bucks a month or 500 bucks a month or zero, there was no cash assistance. No wonder then lots of mothers said, we're going to scrap him and the welfare system is more dependable.

If we now have a new welfare system focused on work and focused on work for both parents, and we try to help both parents get into the labor market, it's not clear to me that the giving of welfare itself produces non-marital births. It's some of the aspects of that old welfare system that didn't focus on work that may be the culprit.

So, in my vision, where we have child support being enforced, we have both moms and dads being encouraged to go into the labor force and, yes, where we really do emphasize two parents, maybe the results that we're seeing in our old research, Charles, may not hold true where we would take the system in terms of a newer vision where the emphasis was work, Ron Haskins' vision.

MR. MURRAY: Real quickly. I think here that there is a lot of research, Wendell, that addresses this issue, and I would characterize that as saying that the argument is, gee, women wanted to be married, the guys wanted to be married, but

these financial disincentives kept them apart, I think the research pretty clearly says that's not a big deal. It never was a big deal.

Wendell and I each have very strong ideological positions that we take, but we also respond to data and we're learning more about this and we'll know more about it five years from now than we do now.

MR. TANNER: Lisa, very quickly, and then we have one last question and then we'll go upstairs for food.

MS. OLIPHANT: I'm a little bit concerned about this emphasis on child support that Wendell keeps talking about and that Al Gore keeps trumpeting as the next big step in welfare reform simply because if welfare has made the role of men essentially redundant in a sense, women who weren't particularly interested in marrying the father of their children or if men took off, they got welfare. They had kids. Fine. Support them.

I think child support is a good thing. I think we shouldn't have men not acknowledging their paternity and not paying their child support, but I think if we focus too hard on cracking down on child care, I'm a little bit concerned that, again, in these women's eyes it becomes just in a sense another form of welfare and another reason not to have to marry the

fathers of their kids. Hey, I get the money. Why do I need the man?

MR. HASKINS: You have to counterbalance with the impact on the male, and we actually have empirical research to follow on Charles' comment that there are effects on males. If you have a strong child support system, they tend to be more careful, and it actually has impacts on marriage rates. Now, these are single studies. I would not describe them as definitive, but you do have to consider both sides of the equation.

MS. OLIPHANT: I think it may change the incentives for men, but I'm just thinking about what it will do to women who had no interest in marrying the fathers of their children in the first place.

MR. HASKINS: Can I answer a question she posed?

MR. TANNER: Sure.

MR. HASKINS: It's very important. This will just take a second.

What difference does it make the poverty rate is down? What difference it makes -- and you can see this -- it is so clear in the numbers. Wendell mentioned the poverty gap and figures on how we reduce poverty. If you look at these tables and order the impacts of various activities and start with market activity, so no government transfers, we have the lowest

poverty rate we've had since 1979 and it's because earnings are up so much. Then if you put in all other government transfers and last put in the earned income tax credit which goes directly to the people who are working, the more they work up to a certain amount, about \$11,000 more they get, that also has been increasing in efficiency. So, our poverty is coming down because of this new strategy we have that emphasizes individual responsibility and work and not government giveaways.

MR. TANNER: Now we can come up with the last question.

MR. DAWSON: I hope I actually remember my question. My name is Tom Dawson. I actually had two and one possible question, but I'll try to limit it since we have a little bit of time.

First of all, Mr. Murray, I want to say I do agree with your statement earlier concerning social norms, and I take that particular position simply because there is a certain level or objective kind of statement we have to make about our particular society.

At the same time, when we're talking about social norms in the context of a two-parent family home, we have to also recognize that the welfare system, as Mr. Haskins mentioned earlier, has sort of created a different social norm within certain communities, that social norm being the one-parent

family or the one-parent family headed by a female. That creates a bit of conflict or tension with regards to the position we want to hold.

I think you're right that we have to make a very hard statement, almost an ethical statement, about what is right. In this particular case when we make it, I reflect upon, for instance, what we might to say in the case of the Japanese killing of female children when they're born, if that's the first child born. I think this is something that occurred about the 19th century and before. At some point you have to begin to say, this is just not right.

Now, whether or not you can prove it, that's not the issue. The issue is that you have to say this is not right, take the stand, and establish the social norm for your community. So, on that point I do agree with you.

With regard to Ms. Oliphant, some of your terminology I'm a little bit unclear with, not because I don't understand what you're saying but because I think some more work may be needed. In particular, the diversion strategy issue. There needs to be a little bit more clarification on this, from my perspective, for the reason that you talk about individuals reaching out to their family members or reaching out to charity organizations, but you don't seem to fill in the gap that's already been created or presupposed in this particular case,

that their communities are disjointed, that they don't have families to reach out to, that they don't have charity communities in their area that they can get to. That's something you need to --

MR. TANNER: We'll let Charles and then Lisa.

MR. MURRAY: I think we're basically in agreement.

MR. TANNER: All right. Lisa?

MS. OLIPHANT: I think that's a great point. I really do. I think that's a fantastic point. Again, there's so much that has to be fixed in a sense before it could all work perfectly. I think with the disintegration of the family, with the disintegration of community, yes, you do have a problem, but I think at the very same time we really do right now have, as I said, such a very rich variety of initiatives that are going on at the moment.

What I would love to see is like a database that every welfare office could access and could make applicants run through before they ever gave a cash welfare payment because people who come to apply for welfare all have very different needs from one another. If we could sort of classify. There are so many things. There are faith-based programs. There are private programs that deal with maybe drug addiction. Maybe the person just needs job training. Why don't we refer people to these things before we pay them to go away?

MR. TANNER: If I could just add one last thing. To actually quote Charles on this, you can't expect to have vibrant communities if you don't give them anything to do. If the government comes in and takes all the obligation off the community by saying we'll do it for you, then don't be surprised if you don't have vibrant communities that can do for themselves.

With that, I know I'm standing between you and food. Thank you all for coming. I appreciate it very much.

(Applause.)

(Whereupon, the Cato Institute Policy Forum was concluded.)