

## Replacing Welfare

by Michael Tanner

**D**etailing the failures of the current welfare system and proposed liberal and conservative reforms is easy. However, critics of welfare have an obligation to go beyond attacking the system to provide an effective, compassionate alternative.

The first step is to recognize that the 1996 welfare reform legislation falls far short of what is needed to fix the system. Let's look at some of its problems.

### Time Limits

The bill is supposed to establish a five-year lifetime limit for welfare benefits. One could be forgiven, therefore, for believing that after five years welfare recipients would be off the public dole.

Several states have federal waivers that would allow some recipients to exceed the five-year time limit. Moreover, many state waivers guarantee a job after five years or provide for the continuation of benefits if no job is found.

Even without the waivers, few welfare recipients will actually be affected by the time limits. Most welfare recipients use the program for far less than five years and would never fall under the five-year limit. What about the small proportion of hard-core welfare recipients who do remain in the program for more than five years? That is the group that the time limit targeted. Yet, once again, exemptions limit the law's effectiveness.

For example, the time-limit provision does not apply to about 17 percent of the current welfare caseload: minor children, but not their parents, who are receiving assistance. A substantial portion of that group is children who are U.S. citizens born to non-



Photographs by Mark Fondersmith

**Nadine Strossen, professor of law at New York Law School and president of the American Civil Liberties Union, warns a Cato conference audience that proposed anti-terrorism laws "neither protect us from terrorism nor preserve our civil liberties."**

citizen parents. In addition, states are allowed to exempt up to an additional 20 percent of recipients from the five-year limit for hardship reasons.

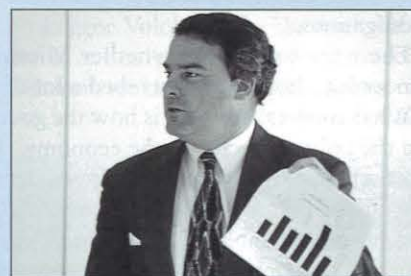
Furthermore, the time-limit provision applies to only 4 of the nearly 80 federal welfare programs. A person who exceeds the five-year limit and has her cash benefits cut off would still be eligible for a host of federal welfare benefits, including food stamps; Medicaid; public housing; Supplemental Security Income; the Special Supplemental Food Program for Women, Infants, and Children; free school lunches; and so on.

### Work Not Welfare

Since most workfare efforts have been little more than expensive boondoggles, perhaps we should be grateful that the law's work requirements are so limited. When we hear of the "stringent" work requirements, we

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# “The 1996 welfare reform legislation falls far short of what is needed to fix the system.”

## REPLACING WELFARE *Continued from page 1*

probably think of our own hectic work schedules and marathon days balancing work and family. Many of us may be surprised to learn, therefore, that for single-parent families the law's work requirement is 20 hours per week for the first two years, 25 hours per week for the third year, and 30 hours per week thereafter. For two-parent families the work requirement is a total for both parents of 35 hours per week.

Those “stringent” work requirements become even less so when exemptions from work and state waiver provisions are examined. For example, welfare mothers with children under age six will not have to work if they cannot find day care. About 60 percent of current single-parent Aid to Families with Dependent Children households have at least one child under age six, so the size of this loophole is readily apparent. Moreover, at least 30 states have been granted waivers exempting recipients from the full impact of the law's work requirements. In many cases, states have defined work to include job search activities, job training, and, in at least

one case, drug rehabilitation.

### State Control

One of the rhetorical centerpieces of the welfare reform legislation is the idea that it turns welfare over to the states, allowing them to run their programs as they see fit. However, in reality, the federal government will retain an enormous degree of control over state actions. For example, a “federal maintenance of effort” provision requires states to maintain their spending at no less than 75 percent of the 1994 AFDC level. So citizens will continue to send their money to Washington, Washington will take a cut off the top, and the states will be told how much to spend on welfare and on whom those funds should be spent.

### Cutting Welfare Spending

From the howls of outrage from defenders of the welfare state, one might think that this legislation at least reduced welfare spending significantly. Unfortunately, exactly the opposite is true. The new law actually continues to increase welfare spending by more than \$70 billion over the next seven years.

## Eliminating the Welfare State

Welfare may have started with the best of intentions, but it has clearly failed. It has failed to meet its stated goal of reducing poverty. But its real failure is even more disastrous. Welfare has torn apart the social fabric of our society. Everyone is worse off. The poor are dehumanized, seduced into a system from which it is terribly difficult to escape. Teenage girls give birth to children they will never be able to support. The work ethic is eroded. Crime rates soar. Such is the legacy of welfare.

Instead of “reforming” failed programs, we should eliminate the entire social welfare system for individuals able to work. That means eliminating not just AFDC but also food stamps, subsidized housing, and all the rest. Individuals unwilling to support themselves through the job market should have to fall back on the resources of family, church, community, or private charity.

As both a practical matter and a question of fairness, no child currently on welfare should be thrown off. However, a date should be set (for symbolic reasons, I like nine months and one day from now), after

## Cato Calendar

### Leviathan and the New Millennium

Chicago • Intercontinental Hotel • December 16, 1996  
Speakers include Edward H. Crane.

### Ninth Annual Benefactor Summit

Scottsdale, Arizona • Gardiner's Tennis Resort • February 5-9, 1997  
Speakers include Charles Murray, Brit Hume  
José Piñera, and Ralph Raico.

### 20th Anniversary Gala

Washington, D.C. • Washington Hilton • May 1, 1997  
Speakers include Steve Forbes and P. J. O'Rourke.

### China as a Global Economic Power

Market Reforms in the New Millennium  
Shanghai • Shanghai Hilton • June 15-18, 1997

## CONFERENCES *Continued from page 3*

speech controls would be a desirable solution for individuals who wish to monitor content for themselves and their families. And David Sobel of the Electronic Privacy Information Center discussed constitutional problems with the Communication Decency Act.

The audio portion of the conference was broadcast live over the Internet by AudioNet.

### ◆ Combatting Terrorism, Preserving Freedom

The Cato Institute and the Frontiers of Freedom Institute cosponsored a September 10th conference on “Combatting Terrorism, Preserving Freedom.” The conference, held in Cato's F. A. Hayek Auditorium, consisted of five panel discussions and a luncheon address by James Woolsey, former director of the CIA.

Opening remarks were given by William Niskanen, Cato's chairman, and former senator Malcolm Wallop (R-Wyo.), now chairman of the Frontiers of Freedom Institute. Wallop set the tone for the conference by stat-

## “The availability of welfare disrupts normal labor migration by allowing people to remain in areas with low employment.”

which no one new would be allowed into the welfare system. There are two distinct populations of welfare recipients. Those who currently use the system as a temporary safety net will be out of the system relatively soon. Immediately ending their eligibility would have only a minor impact on the system but would risk flooding the job market and private charities without allowing for a transition.

There are serious problems with expecting hard-core, long-term welfare recipients to be able to find sufficient employment to support themselves and their families. When we established the incentives of the current system, we may have made a Faustian bargain with those recipients. Now it may be too late to change the rules of the game. We should do whatever we can to move those people out of the system but recognize that success may be limited. It is far more important to prevent anyone new from becoming trapped in the system. That will be possible only if the trap is no longer there.

What would happen to the poor if welfare were eliminated? First, without the incentives of the welfare state, fewer people would

be poor. For one thing, there would probably be far fewer children born into poverty. The availability of welfare leads to an increase in out-of-wedlock births, and giving birth out of wedlock leads to poverty. If welfare were eliminated, the number of out-of-wedlock births would almost certainly decline. How much is a matter of conjecture. Some social scientists suggest as little as 15 to 20 percent; others say as much as 50 percent. Whatever the number, it would be smaller.

In addition, some poor women who did still bear children out of wedlock would put the children up for adoption. The civil society should encourage that by eliminating the present regulatory and bureaucratic barriers to adoption. Other unmarried women who gave birth would not be able to afford to live independently; they would choose to live with their families or with their boyfriends. Some might even choose to marry the fathers of their children.

Poor people would also be more likely to go to work, starting to climb the ladder that will lead out of poverty. A General Accounting Office report on women who lost their welfare benefits after the Reagan

administration tightened eligibility requirements in 1981 found that, on average, the women increased the number of hours they worked and their hourly wage and had a significantly higher overall earned income. Two years after losing their eligibility, a significant minority of the women (43 percent in Boston, for example) had incomes as high as or higher than they did while receiving benefits.

Similarly, in 1991 Michigan abolished its General Assistance program, which provided cash assistance for poor adults without children. Two years later, a survey for the University of Michigan found that 36.7 percent of those people were working in the month before the survey. Of those with at least a high school education, 45.6 percent were working. Two-thirds of former General Assistance recipients, regardless of education, had held a job at some point during the two years before the survey.

It is important to recognize that job opportunities do exist for individuals willing to accept them. That can be seen in the experience of unskilled immigrants who enter this

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**Victoria Toensing**  
*diGenova & Toensing*

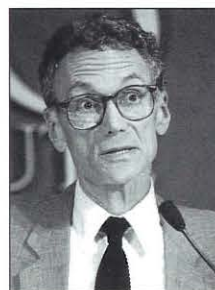
ing, “Make no mistake about the meaning of this conference. Everyone in this room understands the need to identify out and attempt to thwart future acts of terrorism. It must be done, however, within the letter and the spirit of the law and our Constitution. . . . The debate needs wisdom, not passion, and understanding, not bluster.”

During the first panel discussion, David Kopel, associate policy analyst at Cato and research director at the Independence Institute, pondered the absurdity of efforts to rid society of all risk, including the risk of terrorism. He remarked that more people are killed each year by falling off ladders and by drowning in their bathtubs than by terrorist acts, yet no one seriously proposes outlawing ladders and bathtubs. Why, then, he

asked, should we be willing to succumb to draconian regulations in an effort to rid ourselves of terrorism?

Laura Murphy of the ACLU talked about the various anti-terrorism bills that have been drafted thus far and those that are in the works. “We have to remind people that these are big-government proposals. These are proposals that put the government into the private lives of citizens with a negligible law enforcement and national security benefit.” She added, “We really need to elevate the discussion to make it a little more sophisticated.”

Nadine Strossen, president of the ACLU, attorney Victoria Toensing, and Roger Pilon, director of the Cato Institute’s Center for Constitutional Studies, examined the question of



**Ronald Steel, UCLA**

Photographs by Mark Fondersmith

whether anti-terrorism laws secure or threaten civil liberties. Strossen stated, “Not only do they threaten our civil liberties, they violate our civil liberties. Moreover, they don’t even secure our safety.”

Does American military activism fuel terrorist acts of aggression, such as the June bombing in Saudi Arabia? Ted Galen Carpenter, vice president for defense and foreign policy studies at the Cato Institute, and Ronald Steel of the University of Southern California argued that foreign hostility, on both an individual and the national level, is often the result of American intervention. Carpenter remarked, “If the United States insists on playing the role of global policeman, violent reaction against American targets both inside and outside the United States is one of the costs of that policy. And those costs appear to be rising. . . . Terrorists are becoming bolder.” In contrast, Arnold Beichman of the Hoover Institution argued that an interventionist foreign policy might actually deter terrorism to a degree. ■

# “Without the welfare state, fewer people would be poor.”

## REPLACING WELFARE *Continued from page 7*

country with disadvantages at least as significant as those of welfare recipients. Many have less schooling than the average welfare recipient and many cannot even speak English. Yet the vast majority find jobs, and most eventually prosper.

Of course, it may be necessary for people to move where the jobs are. In some ways, the availability of welfare disrupts normal labor migration patterns by allowing people to remain in areas with low employment. If welfare had been in place at the beginning of the century, the great migration of black sharecroppers and farm workers from southern farms to northern factories would never have taken place.

People forced to rely on themselves will find a variety of ways to get out of poverty. Richard Vedder and Lowell Gallaway of Ohio University examined the movement of poor individuals out of poverty. They found that 18.3 percent of poor people receiving welfare moved out of poverty within one year. However, 45 percent of poor people who did not receive welfare were able to escape poverty.

Even many liberals understand that without welfare many poor people would find other options. As Gary Burtless of the Brookings Institution says, “My guess is that if welfare recipients realize their benefits are going to stop . . . it will cause them to search much, much harder for alternatives.”

Of course, many people will still need help. As the Bible says, “The poor always you will have with you.” The civil society will not turn its back on those people. Instead, they will be helped through a newly invigorated system of private charity.

### Replacing Welfare with Private Charity

Private efforts have been much more successful than the federal government’s failed attempt at charity. America is the most generous nation on earth. Americans already contribute more than \$125 billion annually to charity. In fact, more than 85 percent of all adult Americans make some charitable contribution each year. In addition, about half of all American adults perform volunteer work; more than 20 billion hours were worked in 1991. The dollar value of that vol-

unteer work was more than \$176 billion. Volunteer work and cash donations combined bring American charitable contributions to more than \$300 billion per year, not counting the countless dollars and time given informally to family members, neighbors, and others outside the formal charity system.

Private charities have been more successful than government welfare for several reasons. First, private charities are able to individualize their approach to the circumstances of poor people in ways that governments can never do. Government regulations must be designed to treat all similarly situated recipients alike. Glenn C. Loury of Boston University explains the difference between welfare and private charities on that point: “Because citizens have due process rights which cannot be fully abrogated . . . public judgments must be made in a manner that can be defended after the fact, sometimes even in court.” The result is that most government programs rely on the simple provision of cash or other goods and services without any attempt to differentiate between the needs of recipients.

Take, for example, the case of a poor person who has a job offer. But she can’t get to the job because her car battery is dead. A government welfare program can do nothing but tell her to wait two weeks until her welfare check arrives. Of course, by that time the job will be gone. A private charity can simply go out and buy a car battery (or even jump-start the dead battery).

The sheer size of government programs works against individualization. As one welfare case worker lamented, “With 125 cases it’s hard to remember that they’re all human beings. Sometimes they’re just a number.” Bureaucracy is a major factor in government welfare programs. For example, a report on welfare in Illinois found procedures requiring “nine forms to process an address change, at least six forms to add or delete a member of a household, and a minimum of six forms to report a change in earnings or employment.” All that for just one program.

In her excellent book *Tyranny of Kindness*, Theresa Funicello, a former welfare mother, describes the dehumanizing world of the government welfare system—a system in which regulations and bureaucracy

rule all else. It is a system in which illiterate homeless people with mental illnesses are handed 17-page forms to fill out, women nine months pregnant are told to verify their pregnancies, a woman who was raped is told she is ineligible for benefits because she can’t list the baby’s father on the required form. It is a world totally unable to adjust to the slightest deviation from the bureaucratic norm.

In addition to being better able to target individual needs, private charities are much better able to target assistance to those who really need help. Because eligibility requirements for government welfare programs are arbitrary and cannot be changed to fit individual circumstances, many people in genuine need do not receive assistance, while benefits often go to people who do not really need them. More than 40 percent of all families living below the poverty level receive no government assistance. Yet more than half of the families receiving means-tested benefits are not poor. Thus, a student may receive food stamps, while a homeless man with no mailing address goes without. Private charities are not bound by such bureaucratic restrictions.

Private charity also has a better record of actually delivering aid to recipients. Surprisingly little of the money being spent on federal and state social welfare programs actually reaches recipients. In 1965, 70 cents of every dollar spent by the government to fight poverty went directly to poor people. Today, 70 cents of every dollar goes, not to poor people, but to government bureaucrats and others who serve the poor. Few private charities have the bureaucratic overhead and inefficiency of government programs.

### A Safety Net, Not a Way of Life

Second, in general, private charity is much more likely to be targeted to short-term emergency assistance than to long-term dependence. Thus, private charity provides a safety net, not a way of life.

Moreover, private charities may demand that the poor change their behavior in exchange for assistance. For example, a private charity may reduce or withhold benefits if a recipient does not stop using alcohol or drugs, look for a job, or avoid pregnancy. Private charities are much more likely than gov-

## “Government relies on force; the civil society relies on persuasion.”

ernment programs to offer counseling and one-on-one follow-up rather than simply provide a check.

By the same token, because of the separation of church and state, the government cannot support programs that promote religious values as a way out of poverty. Yet church and other religious charities have a history of success in dealing with the problems that often lead to poverty.

Finally, and perhaps most important, private charity requires a different attitude on the part of both recipients and donors. For recipients, private charity is not an entitlement but a gift carrying reciprocal obligations. As Father Robert Sirico of the Acton Institute describes it, “An impersonal check given without any expectations for responsible behavior leads to a damaged sense of self-worth. The beauty of local [private charitable] efforts to help the needy is that . . . they make the individual receiving the aid realize that he must work to live up to the expectations of those helping him out.”

Private charity demands that donors become directly involved. Former Yale political science professor James Payne notes how little citizen involvement there is in government charity:

We know now that in most cases of government policy making, decisions are not made according to the democratic ideal of control by ordinary citizens. Policy is made by elites, through special interest politics, bureaucratic pressures, and legislative manipulations. Insiders decide what happens, shaping the outcome according to their own preferences and their political pull. The citizens are simply bystanders.

Private charity, in contrast, is based on “having individuals vote with their own time, money, and energy.”

There is no compassion in spending someone else’s money—even for a good cause. True compassion means giving of yourself. As historian Gertrude Himmelfarb puts it, “Compassion is a moral sentiment, not a political principle.” Welfare allows individuals to escape their obligation to be truly charitable. As Robert Thompson of the University of Pennsylvania said a century ago,

government charity is a “rough contrivance to lift from the social conscience a burden that should not be either lifted or lightened in that way.”

### Civil Society

That is the essence of the civil society. When George Washington warned that “government is not reason, it is not eloquence—it is force,” he was making an important distinction. Government relies on force and coercion to achieve its objectives, including charity. In contrast, the civil society relies on persuasion—reason and eloquence—to motivate voluntary giving. In the civil society people give because they are committed to helping, because they believe in what they are doing.

Thus private charity is ennobling of everyone involved, both those who give and those who receive. Government welfare is ennobling of no one. Alexis de Tocqueville recognized that 150 years ago. Calling for the abolition of public relief, Tocqueville lauded private charity for establishing a “moral tie” between giver and receiver. In contrast, impersonal government relief destroys any sense of morality. The donor (read taxpayer) resents his involuntary contribution, while the recipient feels no gratitude for what he receives

and inevitably believes that what he receives is insufficient.

Perhaps the entire question of government welfare versus private charity was best summed up by Pope John Paul II in his recent encyclical *Centesimus Annus*.

By intervening directly and depriving society of its responsibility, the welfare state leads to a loss of human energies and an inordinate increase in public agencies, which are dominated more by bureaucratic ways of thinking than by concern for serving their clients, and which are accompanied by an enormous increase in spending. In fact, it would appear that needs are best understood and satisfied by people who are closest to them and who act as neighbors to those in need. It should be added that certain kinds of demands often call for a response which is not material but which is capable of perceiving the deeper human need.

Better yet, consider this simple thought experiment: If you had \$10,000 available that you wanted to use to help the poor, would you give it to the government to help fund welfare or would you donate it to the private charity of your choice? ■

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