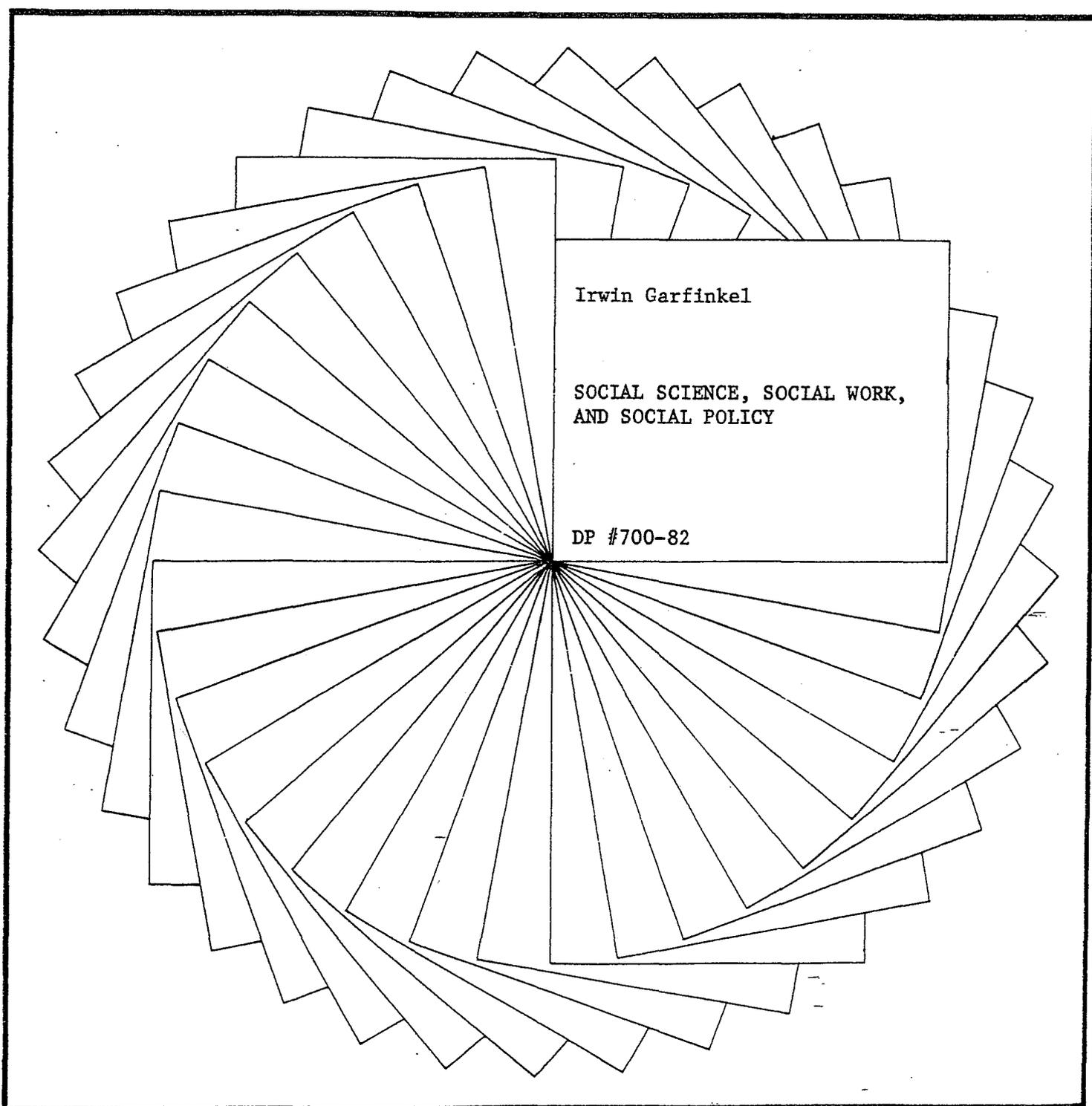




# Institute for Research on Poverty

## Discussion Papers



Irwin Garfinkel

SOCIAL SCIENCE, SOCIAL WORK,  
AND SOCIAL POLICY

DP #700-82

Social Science, Social Work, and Social Policy

Irwin Garfinkel  
School of Social Work and  
Institute for Research on Poverty  
University of Wisconsin-Madison

October 1982

This paper was presented at the Twenty-Fifth Anniversary Conference of the Doctoral Program in Social Work and Social Science, University of Michigan, May 27-29, 1982. The research on child support was supported in part by funds granted to the Institute for Research on Poverty by the Department of Health and Human Services pursuant to the terms of the Economic Opportunity Act of 1964, and by funds granted by the Wisconsin Department of Health and Social Services.

## ABSTRACT

This paper discusses the roles of social science and values in making income transfer policy. Knowledge, mostly from economics, about work disincentives, income testing, and categories is reviewed. It is then applied in a design for a new system of child support. The extent to which such a system depends on value judgments--for example, in determining how much support children should receive and from whom--as well as social science theory and experimentation is discussed.

## Social Science, Social Work, and Social Policy

The Michigan Doctoral Program in Social Work and Social Science was designed to bring social science knowledge to bear on social work practice. To achieve this, students were required to earn a Ph.D. in a social science as well as in social work. Despite the fact that when I was here I was the only social worker in economics, and therefore felt alone and alienated at times, Henry Meyer and other social work faculty members convinced me that the mission of bringing economics to bear on social work problems was an important one. Accordingly, my theme today is to report back what I have learned about economics that is of importance to social work, and in particular to the social policy concerns of social work. My comments about social work and social policy will focus on income transfer policy and poverty. I will talk about several aspects of income transfer programs, including work disincentives, income testing and efficiency, and categories. I will devote a disproportionate amount of time to discussing children in single-parent families, for they constitute a disproportionate share of the poor. Finally, I will narrow in on the issue of child support because child support reform is the key to improving the economic status of single-parent families, the key to welfare reform, and last but not least, my current area of both research and practice.

First, a few brief general comments on the relationship of social science to social work and social policy. The goal of the Michigan Ph.D. program to bring the best social science knowledge to bear on social work practice is simply an extension of the argument that social work belongs

in a university. The argument rests on the premise or faith that social workers who become lifelong consumers of knowledge will be better practitioners. If the problem a social worker confronts is as narrow as Anorexia Nervosa, the worker will do better if he or she is familiar with the most recent scientific evidence of the efficacy of alternative treatments such as behavioral therapy or variants of family therapy. If the problem is as broad as how best to reduce poverty, the social worker with knowledge of the benefits and costs of community organizations, cash transfers, in-kind transfers, and jobs programs should do better than one without such knowledge.

But knowledge is not sufficient. Social policy choices and social work practice are based on values as well as facts. Some economists, like Milton Friedman, believe that economics can be a perfectly objective science.<sup>1</sup> Others, like Myrdal, do not.<sup>2</sup> I agree with Myrdal. Personal values both shape the questions we ask and color the answers we give. But even if one agrees with Friedman, neither he nor anyone else with elementary training in logic will argue that it is possible to go from a statement about "what is" to a statement about "what ought to be" without inserting a value judgment into the chain of logic. Because social workers have a professional commitment to go beyond understanding the world, to changing it where necessary, we cannot escape making value judgments.

My discussion of the policy implications of what I've learned from economics, therefore, depends upon my values as well as knowledge. Where appropriate, these values are discussed explicitly.

Work Disincentives

Much of my early research was on the work disincentive effects of income transfer programs like welfare, unemployment insurance, and old age insurance. Indeed my pursuit of the subject began in my first year at Michigan. I was in a public finance class. Musgrave was the text.<sup>3</sup> I peeked ahead and discovered that Musgrave said economic theory predicted that such programs induced beneficiaries to work less. I was horrified. Wasn't that what conservative opponents of such programs claimed? Not much later, Paul Samuelson visited the Michigan campus. He set aside time for brief discussions with graduate students. I signed up. Only later did I realize that the time was intended for dissertation-level students. I asked the master if it were really true that income maintenance programs discouraged work. He drew a budget line and an indifference curve. Pretty soon he was shifting the budget line this way and that, telling me to pretend that apples and oranges were income and leisure, and most important of all convincing me that I understood why economic science made it virtually certain that transfer programs reduce work.

Unfortunately, my understanding evaporated 10 minutes after the meeting ended. I even harbored the thought that Samuelson had put me on. When I confessed that to Darius Gaskins, a fellow economics student with greater mathematical training than I, he laughed and said "Don't be silly." So we began working our way through the proof. An hour later, he looked me in the eye and said "Maybe he was putting one over on you." After a little more work, however, we reproduced the graphical proof.

Economic theory does predict that income transfers generally reduce work. Economists focus on income and prices. Transfers change both. Transfers increase the income of beneficiaries and thereby increase their ability to afford to work less. Transfers that are reduced as earnings increase also reduce the reward for work and therefore the price of not working. If benefits are reduced by 50% of earnings, the cost of not working is reduced by 50%. If benefits are reduced by the full amount of earnings, the cost of not working is reduced to zero. When the cost or price of something is reduced, people consume more of it.

Once I learned a bit more economics, I was no longer horrified by the predictions of theory. For I learned that theory says nothing about the magnitude of the decrease in work caused by income transfers. Minuscule and gigantic work reductions are equally consistent with theory.

Soon after I began working at the Poverty Institute, I began reading and critiquing empirical studies of the effects of income transfers. Nearly every one of them had methodological flaws that led to overestimates of the work reductions due to income transfer programs.<sup>4</sup> On the other hand, the New Jersey Income Maintenance Experiment underestimated the work reductions because New Jersey enacted an assistance program for intact families in the middle of the experiment. I was lucky enough to be assigned the task of estimating how much bigger the difference in work effort between experimental and control groups would have been if the control group had not been eligible for this new program.<sup>5</sup> Subsequently, I conducted additional empirical research and coauthored a book on the effects of income transfer programs on work.<sup>6</sup>

Empirical research confirms the predictions of economic theory. Research also indicates that, as one would expect from role theory, some groups of people are more sensitive to work disincentives than others.<sup>7</sup> Able-bodied nonaged married males are expected to work. They are the least sensitive to economic disincentives to work. Married women, female heads of families, older men, disabled men, and men in school all have legitimate alternative roles, and all are more responsive to economic incentives. On the one hand, the empirical results for married males suggest that the costs of a modest extension of income transfers to intact families would not be prohibitive in terms of reductions in work. On the other hand, the sensitivity of female heads of families to work disincentives calls into question the wisdom of simultaneously expecting women on welfare to work and subjecting them to near confiscatory tax rates.<sup>8</sup> Are welfare programs the best way to aid single-parent families?

#### Income Testing and Efficiency

My first professional article, written while I was getting my MSW at Chicago, illustrates the maxim that a little bit of knowledge is a dangerous thing.<sup>9</sup> In it, I argued that a negative income tax was more efficient than an equally costly children's allowance program, because it would do more to reduce poverty. At that time, social workers generally favored a children's allowance and economists a negative income tax.<sup>10</sup> I had learned from economists who should have known better that programs like a negative income tax, AFDC, and other welfare programs that confine benefits to the poor are more efficient than programs such as a

children's allowance, or free public education, or social security, which pay benefits to rich and poor alike. Let me quote from one of the volumes in the Brookings Institution's series *Setting National Priorities*:

... universal payment systems are a very inefficient means for helping those with low incomes, since the benefits are not concentrated where the need is greatest. Large numbers of families would receive allowances and at the same time have their taxes increased to pay for the allowance. Tax rates would have to be raised simply to channel money from the family to the government and back to the family again.<sup>11</sup>

The belief that welfare or income-tested programs were more efficient than non-income-tested programs rested on the concept of target efficiency. "Target efficiency" is defined as the proportion of total benefits of a program that goes to the poor. By definition, programs which confine benefits to the poor are quite a bit more target-efficient than those that do not. By the late 1960s, this measure had become a widely used criterion by which alternative income maintenance programs were judged.<sup>12</sup> Yet target efficiency is neither a good measure of economic efficiency nor of equity, which is what it originally was designed to measure.<sup>13</sup>

Most people think of economic efficiency (as opposed to target efficiency) in terms of maximizing the total output of the economy as measured by, for example, the gross national product (GNP). Economists, however, have a more precise definition. An efficient allocation of resources is one in which it is impossible to make anyone better off without making at least one person worse off. These two definitions of economic efficiency frequently coincide.

The relationship of target efficiency to economic efficiency is suggested by the quote above. To finance a non-income-tested program which benefits the poor as much as an income-tested program requires higher tax rates. Higher tax rates sometimes lead to lower GNP,<sup>14</sup> and if they are unnecessary, they are always inefficient.

If it were true, as the Brookings quote implies, that tax rates on everybody are higher in non-income-tested programs, it would also be true that these programs are inefficient. For unnecessarily raising tax rates will reduce productivity and efficiency. But it is not true that tax rates on everybody are higher in non-income-tested programs. For, in order to confine benefits to the poor, income-tested programs reduce benefits as income increases. And, reducing benefits as income increases is a way of putting a tax on income. On this all economists agree. Consequently, compared to the tax rates they face in welfare programs, the tax rates which the poor must pay to finance programs that provide benefits to everyone are lower. So whether income-tested or non-income-tested programs are more efficient depends upon whether it is more efficient to place higher tax rates on the rich or the poor.

Of the three studies that address the issue empirically, two find that proportional or progressive tax rate structures are superior to regressive tax rate structures.<sup>15</sup> These two are superior theoretically to the third, which finds the opposite. But I was a coauthor of both these studies, and I tell you frankly, that I wanted to find what I did. Also the empirical methodology in the third is superior in some dimensions. More important however, as my good friend and your good colleague, Ned Gramlich, has argued, all the studies suggest that the

efficiency losses of erring either way are small enough (at least relative to the errors associated with the crudeness of methodology) to be ignored.<sup>16</sup> In short, the scientific evidence does not support the claim that income testing is efficient and indeed leans the other way.

Moreover, welfare programs are a very poor way to supplement the incomes of those expected to work. The social work profession during the 1960s tended to favor the non-income-tested approach because it was alleged that programs for the poor alone stigmatized the poor, reduced social cohesion by explicitly splitting society into taxpayers and tax-eaters, and provided meager benefits because they command less political support than non-income-tested programs. While there is some merit to these arguments,<sup>17</sup> the fundamental problem with using welfare to supplement the incomes of the poor who are expected to work is economic. Because welfare programs are designed to aid only those with low incomes, benefits are reduced by some proportion as the income of beneficiaries rises. The programs therefore impose benefit reduction rates that are higher than the tax rates required to finance the programs. We fail to recognize that this is equivalent to imposing regressive tax rates in our overall tax-transfer system because the regressivity is imposed not by institutions that tax all of us, but by special institutions that are designed to, and do indeed, provide help to the poor. We must recognize that reducing benefits as income increases is perfectly equivalent to taxing income.

We measure the tax rate each of us pays on earnings by the difference between our gross pay and how much we take home, net. If we earn a dollar, but are better off after taxes by only 60 cents, our tax rate is

40 percent. By that measure, the tax rates on the poor are very high indeed.

Prior to the changes in AFDC initiated by President Reagan, the average benefit reduction rate in the AFDC program was 40 percent. But AFDC beneficiaries also received food stamps, and often lived in public housing, where rent subsidies decrease as earnings increase. Accordingly, their cumulative tax rate frequently reached 70 percent! Moreover, the infamous Medicaid "notch," which completely terminates a recipient's eligibility as soon as income reaches a specified level, pushed the tax rate over 100 percent when earnings approached this level.

Is it any wonder that, given incredibly high tax rates on their earnings, so many welfare mothers do not work? Indeed, the puzzle is why so many of them do work. Over half of those who receive AFDC also work during at least some part of the year! In the face of confiscatory and near-confiscatory tax rates, the fact that so many welfare mothers work for so little economic gain is a testament to the desire of these women to improve the lot of their children and to make better lives for themselves.

Because the tax rates in our tax-transfer system are regressive, they penalize poor people for working to a greater degree than the tax system penalizes the rest of us. The economic component of this is that we reduce the relative incentive of the poor to work. The moral component is that we stack the deck against their "making it" the way Americans are supposed to make it, through work. The poor have the worst jobs and get paid the least. If we really want them to work they should face the lowest not the highest tax rates.

Granted that welfare programs are not the best way to supplement the incomes of those expected to work, should female heads of families be classified as expected to work? When the Aid to Families with Dependent Children (AFDC) program was enacted in 1935, women with children were not expected to work. Moreover, we were in the midst of the Great Depression. The program was designed to enable single mothers to stay home to raise their children. Now that half of married women with children work, expectations have changed. A new consensus is emerging. Increasingly single mothers are expected to work. Indeed, in view of the fact that three-fourths of single mothers do work, the value judgment required to decide whether they should be expected to work may be beside the point.

So far, we have seen that (1) income transfer programs induce beneficiaries to work less; (2) female heads of families are particularly sensitive to work disincentives; (3) welfare or income-tested programs are not necessarily more efficient than non-income-tested programs; (4) non-income-tested programs are preferable to income-tested programs for aiding those expected to work; and (5) female family heads are now expected to work and most do. All of this suggests that we should create non-income-tested programs to supplement the incomes of families headed by someone expected to work. To help achieve this objective, I have proposed elsewhere that the Food Stamps program and personal income tax be replaced by a credit income tax.<sup>18</sup> The per capita tax credits would replace both the personal exemptions in the income tax and food stamps and would be paid monthly to all persons in the manner of children's allowances in other countries. Benefits in this proposed program--about

\$700 per person per year--would be substantially lower than most AFDC beneficiaries now receive. This raises the question of whether additional benefits should be provided to female-headed families.

#### Categories and Female-Headed Families

During the 1960s, the categorical nature of our income transfer system came under attack. Led by Milton Friedman, economists and other analysts pointed to the inequities and adverse incentives created by separating people into different groups and treating these categories differently.<sup>19</sup> Nearly everyone agreed that the exclusion of the working poor from our categorical welfare system was particularly objectionable. Treating split families better than intact families was not only inequitable but created incentives for families to split. More recently, however, economists have rediscovered the positive aspects of categorization.<sup>20</sup> If some groups have greater needs than others, the cost of forgoing categories is substantial. Either the benefits provided to all are high enough for the group with the greatest needs, in which case the system will be quite expensive, or the benefits, while sufficient for those with the least needs, are insufficient for those with the greatest needs.

Research that Robert Haveman and I have done indicates not surprisingly that female heads of families have much lower ability to earn income than intact families.<sup>21</sup> In other words, the gap between income and needs of single-parent families exceeds that of intact families with the same number of persons. These research findings about categories in general and the earnings capacity of female family heads in particular

set me to thinking about how we can provide more to single-parent families than to intact families in a way that minimizes the incentive for families to split. Once you think about it, child support is the obvious answer.

#### Child Support: The Current System

By child support I mean a transfer of income from a parent not living with a child to the child. One out of every five children in the United States is potentially eligible for child support.<sup>22</sup> A small proportion of these children--16 percent--live with their fathers. A larger proportion (24 percent) live with their mother and a stepfather. Most of these children--fully 60 percent--however, live in female-headed households. Estimates indicate that nearly one of two children born today will be eligible for child support before they reach age 18.<sup>23</sup>

The current child support system consists of two major parts: the judiciary system, which now establishes the responsibility to pay support, sets the amount of support to be paid, and enforces the obligation of parents to pay support; and the Aid to Families with Dependent Children program, commonly called welfare. There are many other parts, such as Food Stamps, Medicaid, and Public Housing, which play very big roles in the lives of most AFDC beneficiaries, and district attorneys and jails, which play very big roles in the lives of some absent parents.

There are very serious problems with every state's child support system. Michigan, like Wisconsin, has one of the best systems in the country, yet the same criticisms apply here--only with less force. Throughout the country, the current system condones and therefore fosters

parental irresponsibility. It is inequitable and therefore exacerbates tensions between former spouses. And everywhere the system impoverishes children.

Evidence of parental irresponsibility is contained in national statistics.<sup>24</sup> Only 59 percent of women potentially eligible to receive support have child support awards. Of those awarded child support, only 49 percent received the full amount due them, and 28 percent received nothing. Child support is collected from only 12 percent of the absent fathers of AFDC children: In Wisconsin and Michigan, it is collected from 18 percent and 20 percent respectively.<sup>25</sup>

The child support system is inequitable because the amount of support an absent parent pays depends not just on ability to pay, but on the varying attitudes of local judges, district attorneys, and welfare officials, and the skills of the parents' lawyers. Nearly every absent parent can find someone earning more who pays less. Nearly every custodial parent knows someone who is receiving more though the child's father earns less. Because of this and the absence of firm determinative legislative guidelines, child support is a major source of continuing tension between many former spouses.

Finally, the widespread failure of the system to ensure that absent parents pay child support impoverishes their children and shifts the burden of financial support to the public sector. Nearly half of all children living in female-headed households are poor and on welfare. Yet, as suggested above, in view of the fact that so many single mothers work, welfare is no longer the best way to aid children living with single mothers.

Child Support: A Proposed New System

In view of these problems with the current child support system, a research team from the Institute for Research on Poverty under contract with the Wisconsin Department of Health and Social Services has developed a proposal for a new child support benefit and tax system. Our last report to the state (February 1982) actually contained a draft of the legislation that would be required to implement the changes in the State of Wisconsin.<sup>26</sup> We worked out more details than I care to remember. All of us would now change at least one or two of the details. Others are still to be worked out. Yet the basic design of the program remains simple.

Under the program all parents who live apart from their children are liable for a child support tax. The child support tax base will be gross income. The tax rate will be proportional and depend upon the number of children owed support. For example, the tax rate might be 20 percent for the first child, 10 percent for the second, 5 percent for the third and so on, with a maximum tax rate of 40 percent approached asymptotically. The child support tax would be collected through a wage withholding system, like payroll and income taxes. All children with a living absent parent will be entitled to a child support benefit equal to the child support tax paid by the absent parent or a minimum benefit. In cases where the absent parent pays less than the minimum, the difference would be financed out of general revenues, now providing Aid to Families with Dependent Children. Finally, in cases where the absent parent pays less than the minimum, the custodial parent would be subject to a surtax up to

the amount of the public subsidy. The surtax rate would be one-half of the tax rate of the absent parent.

A few words about the rationale for three major features of this new system are warranted. First, why establish child support obligations by legislation rather than judicial discretion? The principal argument is that because of the large financial obligation already borne by the state, the apportionment of support for poor children among the custodial parent, the absent parent, and the public is more appropriately a legislative function. In addition, the use of courts is too costly to society and the families affected, both in direct fiscal impact and judicial time. Finally, a legislated formula would reduce inequity.

Second, why use general revenues to supplement inadequate child support payments from absent parents? The answer is that doing so will reduce welfare costs and caseloads.

Third, why treat child support as a tax and use the withholding system in all cases? Because wage withholding is the most effective collection tool we have and effective and efficient collection of child support is essential. However, it is possible that improving the response to delinquent payments in the current collection-system through the use of a fully automated and computerized system may achieve significant efficiency gains without universal withholding. Consequently, we recommended that both collection approaches be tried on an experimental basis in several Wisconsin counties.

The new child support benefit tax program would achieve the objectives of (1) assuring that those who parent children share their income with them; (2) establishing and collecting child support equitably and

efficiently; (3) increasing the economic well-being of children with a living absent parent while (4) simultaneously reducing welfare costs and caseloads. Our cost estimates indicate that these objectives can be achieved without increasing costs to general taxpayers, or overtaxing absent parents, or harming AFDC beneficiaries. Indeed, the estimates indicated that it may even be possible to achieve savings.

Social Science, Social Work, and Social Policy: Child Support

The cost of savings estimates take me back to my original theme about the relationship of social science to social work and social policy. Value judgments as well as social science inevitably play a significant role in policy recommendations. In order to estimate the costs or savings of our reform proposal, we had to estimate the ability of absent parents to pay child support. There are two parts to ability to pay: (1) How much income do absent parents have? and (2) How much of that income should be designated for child support?

Ascertaining the income of absent parents is difficult because data sources on representative samples of children with absent parents don't contain data on the absent parents.<sup>27</sup> We developed a crude estimate by assuming first that an absent parent has the same race, age, and years of schooling as the custodial parent and second that the absent parent earns the same amount of income as the average divorced, separated, and remarried man with the same race, age, and education characteristics.<sup>28</sup> We have refined these estimates in several ways and continue to devote a good deal of research time to getting better data on absent-parent income.

But no matter how good the empirical estimates of absent-parent incomes are, they constitute only one-half the answer to the question of ability to pay. Social science can take us only so far. Social workers and others interested in social policy prescriptions cannot escape making value judgments. What share of the absent parent's income should be transferred to his children? Should this share depend upon the resources of the custodial parent? Social science cannot answer these questions. But social science can help us understand some of the consequences of making alternative value judgments. For example, it is possible to predict the loss of revenue if the child support tax is reduced in the event of remarriage. By clarifying the consequences of making alternative value judgments, social science can raise the level of debate. This is a modest, but important, contribution.

## NOTES

<sup>1</sup>Milton Friedman, Essays in Positive Economics (Chicago: University of Chicago Press, 1953), Chapter 1.

<sup>2</sup>Gunnar Myrdal, The Political Element in Economic Theory (Cambridge: Harvard University Press, 1955).

<sup>3</sup>Richard A. Musgrave, The Theory of Public Finance (New York: McGraw-Hill, 1959).

<sup>4</sup>"On Estimating the Labor Supply Effects of a Negative Income Tax," in Labor Supply and Income Maintenance Programs, edited by Glen Cain and Harold Watts (Chicago: Markham, 1972), pp. 205-264.

<sup>5</sup>Irwin Garfinkel, "The Effects of Welfare on Experimental Reponse," Journal of Human Resources, 9 (1974), 504-529.

<sup>6</sup>Stanley Masters and Irwin Garfinkel, Estimating Labor Supply Effects of Income Maintenance Alternatives (New York: Academic Press, 1978).

<sup>7</sup>Ibid.

<sup>8</sup>The statement in the text about female heads of families must be qualified in that there is disagreement in the literature about the extent to which these women are sensitive to tax rates. Individual cross-sectional studies and studies comparing the labor force participation rates of AFDC mothers in different states have found a high sensitivity to tax rates. See Masters and Garfinkel; Jerry A. Hausman, "Labor Supply," in How Taxes Affect Economic Behavior, edited by Henry J. Aaron and Joseph A. Pechman (Washington, D.C.: The Brookings Institution, 1981); and Irwin Garfinkel and Larry Orr, "Welfare Policy and the Employment of AFDC Mothers," National Tax Journal, 27 (June 1974),

275-284. On the other hand, the analysts of the Seattle-Denver Income Maintenance Experiment find a much smaller responsiveness to tax rates. See M. Keeley, P. Robins, R. G. Spiegelman, and R. W. West, "The Labor Supply Effects of Negative Income Tax Programs," Journal of Human Resources, 13 (1978) 3-36. Moreover, the 1967 Social Security amendments, which reduced tax rates in AFDC, had little effect on the work effort of AFDC mothers.

<sup>9</sup>Irwin Garfinkel, "Negative Income Tax and Children's Allowance Programs," Social Work, 13 (1968), 33-39.

<sup>10</sup>Most income maintenance experts from the economics profession favored a negative income tax, while most from the social work profession favored a children's allowance. Milton Friedman, Robert Lampman, and James Tobin were the most important advocates in the economics profession. See Friedman, Capitalism and Freedom (Chicago: University of Chicago Press, 1962); C. Green, and Lampman, "Schemes for Transferring Income to the Poor," Industrial Relations, 6 (1967), 121-137; Tobin, "The Case for an Income Guarantee," Public Interest, No. 4 (Summer 1966), pp. 31-41. There were, however, notable exceptions on both sides. Edward Schwartz and Alan Wade, both faculty members at the University of Chicago, School of Social Service Administration, favored a negative income tax. James Vadakin and Harvey Brazer were the principal advocates in the economics profession of a children's allowance. See J. C. Vadakin, "A Critique of the Guaranteed Annual Income," Public Interest, No. 11 (Spring 1968), pp. 53-66; and H. Brazer, "The Federal Individual Income Tax and the Poor," California Law Review, 57 (1969), 422-449. Brazer's proposal was actually a cleverly designed compromise between income testing and non-

income-testing designed to achieve the major benefits of non-income-tested programs and the apparent small budget costs of income testing. The foremost American economist who advocated children's allowances, was of course, Paul Douglas. See Douglas, Wages and the Family (Chicago: University of Chicago Press, 1927). Eveline Burns, though an economist, was identified with the social work profession (she taught at the Columbia School of Social Work during the 1960s) and was the foremost advocate of children's allowances in that profession. See Eveline Burns, "Social Security in Evolution: Towards What?" Proceedings of the Industrial Relations Research Association (Madison, Wis.: IRRRA, 1965).

<sup>11</sup>C. L. Schultze et al., Setting National Priorities: The 1973 Budget (Washington, D.C.: The Brookings Institution, 1972), p. 200.

<sup>12</sup>For early work on target efficiency, see C. Green, Negative Taxes and the Poverty Problem (Washington, D.C.: The Brookings Institution, 1967); and B. A. Weisbrod, "Collective Action and the Distribution of Income: A Conceptual Approach," in The Analysis and Evaluation of Public Expenditures: The PPB System, a compendium of papers submitted to The Subcommittee of the Joint Economic Committee, Vol. 1 (Washington, D.C.: U.S. Government Printing Office, 1969), pp. 177-197.

Target efficiency has been used by some of the most prominent economists in the field of income maintenance to evaluate alternative transfer programs. See Michael Barth, George Carcagno, and John Palmer, Toward an Effective Income Support System: Problems, Prospects, and Choices (Madison, Wis.: Institute for Research on Poverty, 1974); R. H. Haveman, "Work-Conditional Subsidies as an Income-Maintenance Strategy: Issues of Program Structure and Integration," in U.S. Congress, Joint Economic

Committee, Studies in Public Welfare, Paper No. 9 (part 1) (Washington, D.C.: U.S. Government Printing Office, 1973); R. A. Musgrave, P. Heller, and C. E. Peterson, "Cost Effectiveness of Alternative Income Maintenance Schemes," National Tax Journal, 23 (1970), 140-156.

<sup>13</sup>See Weisbrod. The economists who developed the concept and measure of target efficiency were located at the University of Wisconsin--Madison--an economics department long noted for its concern about and research on income-distribution issues.

<sup>14</sup>Higher tax rates can lead to more work effort and therefore greater output of goods and services. Raising tax rates makes working less worth while. This reduces work. On the other hand, higher tax rates also reduce income. This has the effect of increasing work. Which effect dominates is an empirical question. Studies show, for example, that in response to increased tax rates most married men work more while married women work less (see Cain and Watts; Masters and Garfinkel).

<sup>15</sup>See J. R. Kesselman and I. Garfinkel, "Professor Friedman, Meet Lady Rhys-Williams: NIT vs. CIT," Journal of Public Economy, 10 (1978), 179-216; Efraim Sadka, Irwin Garfinkel, and Kemper Moreland, "Income Testing and Social Welfare," in Income-Tested Transfer Programs: The Case For and Against, edited by Irwin Garfinkel (New York: Academic Press, 1982); and David Betson, David Greenberg, and Richard Kasten, "A Simulation Analysis of the Economic Efficiency and Distributional Effects of Alternative Program Structures," in Income-Tested Transfer Programs: The Case For and Against.

<sup>16</sup>See Edward M. Gramlich, Discussion of Chapter 6 in Garfinkel, Income-Tested Transfer Programs: The Case For and Against.

<sup>17</sup>See Garfinkel, Income-Tested Transfer Programs: The Case For and Against, pp. 495-503.

<sup>18</sup>See Garfinkel, "Welfare Reform: A New and Old View," Journal of the Institute for Socioeconomic Studies, 4 (Winter 1979), 55-72; and Sheldon Danziger, Garfinkel, and Haveman, "Poverty, Welfare and Earnings: A New Approach," Challenge, September/October 1979, pp. 28-34.

<sup>19</sup>See Milton Friedman, Capitalism and Freedom (Chicago: University of Chicago Press, 1962); and Barth, Carcagno, and Palmer.

<sup>20</sup>See G. A. Akerloff, "The Economics of Tagging," American Economic Review, 68 (1978) 8-19. Also see Alton Linford, "Public Assistance Categories: Yes or No," Social Service Review, 22 (June 1948), 199-210, for a much earlier statement by a social worker of the same argument.

<sup>21</sup>See Garfinkel and Haveman, Earnings Capacity, Poverty, and Inequality (New York: Academic Press, 1978).

<sup>22</sup>For an explanation of how this estimate was derived, see Garfinkel and Marygold Melli, Child Support: Weakness of the Old and Features of a Proposed New System, Volume I (Madison, Wis.: Institute for Research on Poverty Special Report No. 32, 1982), footnote 1.

<sup>23</sup>See the statistical appendix in Daniel Patrick Moynihan, "Welfare Reform's 1971-72 Defeat: A Historic Loss," Journal of the Institute for Socioeconomic Studies, 6 (Spring 1981), 1-20. Since some of these result from widowhood, the percentage eligible for child support will be smaller.

<sup>24</sup>See Child Support and Alimony, Current Population Reports, Special Studies Series P-23 No. 106, Bureau of the Census (Washington, D.C.: U.S. Government Printing Office, 1981).

<sup>25</sup>Child Support Enforcement Statistics, Fiscal 1981, U.S. Department of Health and Human Services, Office of Child Support Enforcement, Publication 0005 (Washington, D.C.: HHS, 1982).

<sup>26</sup>Garfinkel and Melli.

<sup>27</sup>Cassetty and Sawhill used the Michigan Panel Study of Income Dynamics to get data on the incomes of absent parents, but their samples were limited to fathers who divorced or separated after the study began and continued to be interviewed after their marital split. Most fathers who split, however, did not continue to be interviewed. See Judith Cassetty, Child Support and Public Policy (Lexington, Mass.: Lexington Books, 1978); Carol Adaire Jones, Nancy M. Gordon, and Isabel V. Sawhill, Child Support Payments in the United States, Urban Institute Working Paper 992-03 (Washington, D.C.: The Urban Institute, 1976).

<sup>28</sup>See pp. 45-77 and 142-155 in Volume III of Garfinkel and Melli, and Thomas McDonald, "Wisconsin Study of Absent Fathers' Ability to Pay Child Support," a research proposal, Madison, Wis., Institute for Research on Poverty, July 1981.