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INCOME TRANSFER POLICY IN THE UNITED STATES: A REVIEW AND ASSESSMENT

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A Review and Assessment

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ABSTRACT

In this paper, we focus on the role of public income transfers. In the first section we briefly describe the current income transfer system. In the next section we tell how we got to where we are. We conclude this section with a brief description of the proposals of the current administration designed to change the present system. In the third section we discuss major issues in income transfer policy and the values that are at stake. The fourth section is an assessment of income transfer policy: What has been accomplished in reducing poverty, insecurity, and inequality? What side effects (such as reduction in work and savings or family disruption) have accompanied the gains? In the concluding section, we discuss where we should go from here, and present some options for the future evolution of income transfer interventions.

Income Transfer Policy in the United States:
A Review and Assessment

INTRODUCTION

Reducing economic insecurity and alleviating poverty have become generally recognized as legitimate government objectives. Stable economic growth, public health and education programs, labor market policies, and public income transfers all contribute to these goals. [In this paper, we focus on the role of public income transfers.] Income transfer programs have been the area of major growth in the federal budget in the past half century. From a base of essentially zero in the early 1930s, federal income transfers in 1981 stood at nearly $300 billion, absorbing 45 percent of federal outlays.

In the first section of the paper we briefly describe the current income transfer system. In the next section we tell how we got to where we are. We conclude this section with a brief description of the proposals of the current administration designed to change the present system. In the third section we discuss major issues in income transfer policy and the values that are at stake.

The fourth section is an assessment of income transfer policy: What has been accomplished in reducing poverty, insecurity, and inequality? What side effects (such as reduction in work and savings or family disruption) have accompanied the gains? In the concluding section, we discuss where we should go from here, and present some options for the future evolution of income transfer interventions.

THE CURRENT INCOME TRANSFER SYSTEM

At present, there are over 40 separate programs which together constitute the income support system in the United States. Table 1 presents estimated public expenditures on the most important programs for fiscal year 1981.

Total income support expenditures for fiscal 1981 are estimated to be over $300 billion, amounting to about 10 percent of GNP and about 45 percent of the total federal budget. This is a substantial sum although, in comparison with other Western industrialized countries, it is not excessive. Average expenditures for income support in the European Economic Opportunity countries in 1972 amounted to about 11 percent of GNP.[1] For some Western European countries--Sweden and the Netherlands, for example--income support spending exceeds 15 percent of GNP.

Several characteristics of the current system stand out in Table 1. First, the system is clearly a categorical one. There are separate programs for single parents of families, veterans, the aged, blind, disabled, students from poor families, and the working poor. Most, though not all, of this categorization is a response to the work issue--an attempt to separate out and treat differently those who are expected to work from those who are not. For example, all of the social insurance programs are closely tied to previous labor force attachment. Of these, only the Unemployment Insurance program aids those expected to work, and even in this case the aid provided is normally short-term. The Earned Income Tax Credit and several of the recently enacted welfare programs--most notably food stamps and housing assistance programs--also provide

Table 1

Estimated Benefit Expenditures for Major Income
Support Programs, Fiscal Year 1981
($ billion)

Program	Federal	State and Local	Total
All major programs	273.8	27.7	301.5
Social insurance--non-income-tested			
Cash Benefits			
Old Age and Survivors and Disability Insurance and Railroad Retirement	143.6	0	143.6
Special Compensation for Disabled Coal Miners	1.0	0	1.0
Unemployment Insurance	18.8	0	18.8
Veterans' and Survivors' Service-Connected Compensation	7.5	0	7.5
Worker's Compensation	1.5	7.2	8.7
Total	172.4	7.2	179.6
In-Kind Benefits			
Medicare	37.4	0	37.4
Refundable tax credits			
Earned Income Tax Credit	1.9	0	1.9
Welfare--income-tested			
Cash Benefits			
Aid to Families with Dependent Children	6.9	5.8	12.7
Supplemental Security Income	6.9	1.6	8.5
Veterans' and Survivors' non-service-connected pensions	4.0	0	4.0
General Assistance	0	1.3	1.3
Total	17.8	8.7	26.5

(table continues)

Table 1 (cont.)

Estimated Benefit Expenditures for Major Income Support Programs, Fiscal Year 1981
($ billion)

Program	Federal	State and Local	Total
In-kind benefits			
Food Stamps	9.7	0	9.7
Child Nutrition and Other Department of Agriculture food assistance	4.2	0	4.2
Medicaid	15.8	11.8	27.6
Housing Assistance	5.5	0	5.5
Basic Educational Opportunity Grants	2.4	0	2.4
Total	37.6	11.8	49.4
Job-related support	6.7	NA	6.7
Comprehensive Employment and Training (CETA)	4.4	NA	4.4
Targeted Jobs Tax Credit (and related)	.3	NA	.3
Special Employment Programs for Youth	2.0	NA	2.0

Sources: "The Budget of the United States, Fiscal Year 1981." Data on Worker's Compensation and General Assistance are for 1977 and come from Statistical Abstract of the United States: 1979, U.S. Department of Commerce, Bureau of the Census.

aid to those expected to work. Whereas the President's Commission on Income Maintenance found in 1969 that the working poor were systematically excluded from our categorical welfare system, this is no longer the case. The system remains categorical, but some support is available to the working poor.

Second, expenditures for the social insurance programs are substantially larger than those for welfare programs--$217 billion as compared to $76 billion. In all, social insurance expenditures account for nearly three-quarters of total income support expenditures. As a consequence, social insurance programs lift more people out of poverty than do welfare programs, even though a larger proportion of the benefits from welfare go to the poor.

Third, the hybrid Earned Income Tax Credit is minuscule in comparison to both social insurance and welfare programs. The federal income tax does, however, provide substantial "tax expenditure" subsidies to nonpoor families for housing, medical care, and child care. These subsidies (not shown in the table) amounted to over $40 billion in 1980.

Fourth, cash benefits account for a larger share of total expenditures than in-kind benefits--$206 billion versus $87 billion. However, it should be noted that in-kind welfare benefits exceed both cash welfare benefits and in-kind social insurance benefits.

Fifth, although many people identify the Aid to Families with Dependent Children (AFDC) program with welfare, it actually accounts for only 17 percent of total welfare expenditures and not much more than 4 percent of total expenditures on income support. By far the largest welfare program is Medicaid.

Sixth, the bulk of income support expenditures is financed by the federal government--$274 billion out of a total of $302 billion. But just as in-kind benefits play a larger role in welfare than in social insurance programs, state and local financing also plays a bigger role in welfare programs than in social insurance.

It should be emphasized that this overview of the income support system would differ if free public elementary and secondary education were included as part of the system. Most analysts of income support programs do not include public education in the list of income support programs; rather, it is included in the more comprehensive list of social welfare expenditures.[2] If primary and secondary education were separately provided with public transfers--grants or loans--to help families bear the costs, the public expenditures would clearly be counted as part of our income support system. If education expenditures were included, total expenditures on income support would rise by $97 billion and the difference between expenditures on non-income-tested and income-tested welfare programs would become correspondingly larger--$314 billion (rather than $217 billion) on non-welfare programs compared to $76 billion on welfare programs.

HOW WE GOT TO WHERE WE ARE: THE EVOLUTION OF INCOME TRANSFER POLICY

From the Start to the 1935 Social Security Act

Alleviating poverty has been recognized as an essential--albeit controverisal--government responsibility in the United States from the outset.[3] The colonists brought with them the British poor law, just as they brought with them numerous other British laws and customs. The Elizabethan Poor Law in 1601 established a system of parish relief financed by local taxation. The system was designed to give cash or in-kind support to those not expected to work and provide work for the able-bodied by supplying them with raw material which they were expected to make into goods for sale. By the eighteenth century, the workhouse had developed as a place where the jobless were housed, maintained, and employed at various tasks.

By 1789, public assistance was one of the largest items of expenditure in many American towns. Throughout the nineteenth century, responsibility for providing aid to limited groups of the poor, such as the blind and the insane, shifted very gradually from local to state government. By mid-century, free public education was funded by property taxes and provided by local governments. Not until after the Civil War however did the federal government assume any responsibility. This was in the form of aid to veterans disabled in the war, aid to widows and orphans, and the short-lived Freedman's Bureau, which provided aid to former slaves.

In the early twentieth century, the trends toward the assumption of responsibility by the states accelerated. The first Workmen's Compensation Law was enacted in Wisconsin in 1908. By 1930, all but a few states had workmen's compensation laws, more than half had widows' pension programs, and 7 had programs providing aid to the aged. In 1932, New York and Wisconsin enacted Unemployment Insurance laws.

The Great Depression in the 1930s led to a dramatic shift from state to federal responsibility for financing and administering aid and insurance programs. State and local governments were simply unable to cope with the large increase in hardship caused by unemployment. The Federal Emergency Relief Act in 1932 appropriated $500 million (later increased to $5 billion) to provide direct relief to states, cities, towns, and counties. Because the incidence of unemployment and poverty was so widespread, many came to view the problem as caused by the economic system rather than personal inadequacies. In 1934 President Roosevelt appointed a Committee on Economic Security to design and draft permanent legislation to deal with the problem of economic insecurity. Within six months, the committee prepared the legislation which became the historic 1935 Social Security Act.

The Social Security Act to the War on Poverty

The 1935 Social Security Act established the basic framework of our current income transfer system. It created five new programs. Two were social insurance programs in which eligibility and benefit levels were related to previous employment and contributions by the worker and/or his employer: Old Age Insurance (OAI) and Unemployment Insurance (UI). Three were welfare programs in which eligibility and benefit levels depended on current income: Aid to the Blind (AB), Old Age Assistance (OAA), and Aid to Dependent Children (ADC). The two social insurance programs were federally financed and administered. The three welfare programs were funded jointly by federal and state governments (and locally as well in most states, at least initially), and administered by states and localities.

These new programs substantially increased the income support provided to the aged, unemployed, blind, and dependent children. Perhaps even more important, the Social Security Act established a foundation on which other programs could be built.

The traditional distinction between employables and unemployables was made a foundation of the act. The two social insurance programs (and a permanent work relief program recommended by the Committee on Economic Security but not enacted) were designed for employables; the welfare programs were for those with no labor force attachment. To quote from the report of the U.S. Committee on Economic Status, "The measures we suggest all seek to segregate more clearly distinguishable large groups among those now on relief or on the verge of relief and to apply such differential treatment to each group as will give it the greatest practical degree of economic security."[4]

To some extent, the new social insurance programs also reduced reliance on the family to provide help to those in distress. The most notable change was in the OAI program--the Social Security Retirement program--in which benefits to the aged were not conditional on the ability of their children to support them. In the welfare programs, however, the responsibility of relatives still played a large role. In many states, for instance, the aged had to cooperate with the state in suing their children for support as a condition for receiving Old Age Assistance (OAA) benefits. Similarly, poor mothers on welfare were under pressure to cooperate in securing support payments for their children from the absent fathers. While this practice has decreased for the elderly, it has not for welfare mothers.

The welfare programs in the Social Security Act were expected to decline in importance over time. OAA was to help those aged poor who had not contributed to and were therefore not eligible for the Old Age Insurance program. It was expected that, as the Old Age Insurance program matured, the number of beneficiaries of the welfare program would dwindle. The welfare programs for both the blind and dependent children were also expected to remain small. Aid to Dependent Children (ADC) was viewed as a program for aiding widows; no one envisioned the growth in marital instability that was to convert the program from a minor, relatively uncontroversial program into the focal point of the welfare reform debate in the 1960s and 1970s.

During the period from 1935 to the War on Poverty, the Social Security Act was amended several times, gradually expanding the income support system. More aid to more groups was provided at increased cost, and the role of the federal government became larger. There were attempts to reduce the role of welfare by expanding the role of social insurance. In 1938 the Survivors Insurance program was enacted in order to reduce reliance of widows and their children on welfare. In 1950 a welfare program for the disabled--Aid to the Permanently and Totally Disabled--was enacted. In the same year, benefits in the ADC program were extended to the caretaker, usually the mother of the children, and the program name was changed to Aid to Families with Dependent Children (AFDC). In 1956, the Disability Insurance Program was enacted. In 1962 the Social Security Act was again amended to provide social services to AFDC mothers in order to help them achieve economic independence.

The War on Poverty, the Great Society, and Their Aftermath

Just as the Great Depression accelerated developments in income support policy in the 1930s, a combination of events led to a similar acceleration during the 1960s and early 1970s. The civil rights movement heightened awareness of social injustice and increased the political power of one of the poorest segments of our society. The assassination of President Kennedy created sympathy for implementing social welfare legislation. Within this context, in March 1964, President Johnson declared his "War on Poverty." The Economic Opportunity Act enacted by Congress later that year established the Office of Economic Opportunity (OEO) and created a series of education and employment and training programs such as Head Start, Job Corps, Neighborhood Youth Corps, Work Study, Upward Bound, and the Work Experience Program for AFDC mothers.

The War on Poverty, in addition to creating programs directly, had a profound indirect effect on income transfer programs. By declaring a War on Poverty, President Johnson had elevated the question, "What does it do for the poor?" to a test for judging government interventions and for orienting national policy.[5]

New income transfer programs were enacted; in existing programs, eligibility was extended, benefit levels were increased, and the number of beneficiaries was expanded. Expenditures increased much more rapidly than they had in the three decades since the 1935 Social Security Act. Increases in expenditures which benefit the aged accounted for about two-thirds of the total increase in expenditures.

In 1964 Congress enacted the Food Stamp program. By 1974, this program had evolved into the only income transfer program entitling all low-income Americans to a uniform, nationwide minimum income guarantee--in food coupons. In the banner year for income transfer and social policy legislation, 1965, Congress enacted Medicare (a health insurance program for the aged), Medicaid (a medical assistance program for the poor), the Basic Educational Opportunity Grants program (which provided federal scholarships to needy students), and the Aid to Education program (which provided federal funds to school districts for improving the education of children living in poor neighborhoods).

The Vietnam War and the election of Richard Nixon slowed the pace of the growth of income transfer and social programs in the late 1960s and early 1970s. It did not, however, end that growth. Indeed, in 1969 President Nixon proposed a new federal Family Assistance Program (FAP), which would have provided a uniform nationwide minimum cash income to families with children, and to the aged, blind, and disabled. Although the proposal for a federal welfare program for families with children did not pass the Congress, the proposal for the aged, blind, and disabled was enacted in 1972. It is known as the Supplemental Security Income (SSI) program. The benefits to people with no other income were set at about 75 percent of the poverty level for a single individual and 90 percent for a couple. Like social security and food stamp benefits, the level of these welfare benefits was tied to the cost of living. In an attempt to reduce stigma, the name of the program was chosen to minimize the distinction between social security and welfare, and the Social Security Administration was given responsibility for its administration. In a break from previous practices, the federal government advertised the benefits to which people were entitled and sought to enroll those who were eligible.

The Earned Income Tax Credit (EITC) also emerged from the FAP congressional debate. Enacted in 1974, it entitled families with children to an earnings subsidy of 10¢ for each dollar earned up to $4000, for a maximum benefit of $400. Benefits were reduced by 10¢ for each dollar earned in excess of $4000. In 1980, this benefit schedule was expanded so that maximum benefits are now $500 and occur when earnings equal $5000. These benefits go only to those with low earnings, and the program is administered by the Internal Revenue Service within the personal income tax framework.

Liberalization of existing programs also continued throughout the 1970s, but at a steadily decreasing pace. Between 1965 and 1972, Old Age Insurance benefits were increased five times by 7 percent, 13 percent, 15 percent, 10 percent, and 20 percent. With the last increase in 1972, Congress tied benefits to the cost of living and removed the need for periodic debate on and enactment of increased benefits. The Aid to Families with Dependent Children program was amended to allow beneficiaries to keep a small part of their earnings (the first $30 per month plus one of every three dollars earned in excess of $30) in order to encourage work and thereby reduce impoverishment and dependence on welfare. In the 1965-1975 decade, most states increased AFDC benefits so that they grew more rapidly than inflation, Community Action lawyers actively helped those entitled to benefits to get them, and a higher proportion of applications were accepted. As a result of these factors and the growth of single-parent families, AFDC rolls expanded dramatically—from 4.4 million in 1965 to 11.4 million in 1975. By 1980, the total number of recipients had decreased to 10.6 million.

Income transfers continued to grow after President Carter was elected in 1976 despite the fact that his welfare reform proposal--the Program for Better Jobs and Income--did not pass the Congress. During the 1976-1980 period, income support became increasingly tied to labor market programs. The objective was to provide income adequacy for those expected to work by expanding job opportunities for them. Programs designed to expand the demand for low-skill, disadvantaged workers were developed in both the public and private sectors. The Comprehensive Employment and Training Amendments (CETA) inaugurated a major public service employment program; by fiscal 1980, CETA expenditures totaled $4.0 billion. As it evolved, the job slots which it provided became increasingly targeted on disadvantaged workers. Analogous efforts to expand private sector employment involved employment subsidies. The New Jobs Tax Credit, enacted in 1977, subsidized increased employment by private businesses. The subsidy arrangement encouraged the hiring of low-wage workers. In 1979, this program was replaced by the Targeted Jobs Tax Credit--a program which paid subsidies to employers if workers from particular disadvantaged groups (e.g., poor youths, disabled workers, Vietnam-era veterans) were employed.

1980 and Beyond

The 1980 election was a watershed. Running on a platform that the rapid growth in government--especially social programs and regulations--had stifled incentives and economic growth, Ronald Reagan was elected. The Program for Economic Recovery, announced in 1981, was designed to stop two decades of rapid growth in federal expenditures and to reverse the trend toward spending on income support and social programs at the expense of defense-oriented spending. Whereas spending on income security had increased from 21.7 percent of the federal budget in 1965 to 35 percent in 1981, President Reagan would have it fall to 32 percent in 1986. Spending for education, training, and social services, which had risen from 1.9 to 4.8 percent of the budget from 1965 to 1981, was scheduled to fall to 2.5 percent of the budget. Reductions in these areas were to be offset by increased military spending and reduced taxes. Clearly a decision had been made to secure increased economic growth and military strength by reducing income transfers and other benefits designed to aid the poor and to address social problems.

UNDERLYING ISSUES AND THE VALUES AT STAKE

Income transfer policy is controversial, in part because of the growth in transfers and the large share of the federal budget which they absorb. It is also controversial, perhaps more controversial, because it touches upon the fundamental values of citizens.

Economists speak of the trade-off between efficiency and equity.[6] But the values touched on by income transfer policies are even more fundamental. Citizens care about efficiency because they value material goods and services; they are self-interested. Yet they are also compassionate and/or emphathetic and hence value equity. Security and self-reliance are also deeply held values, and they are too conflict in income transfer policy.

These basic values enter into nearly every major decision in income support policy. Consider the following fundamental issue faced by every community at all times: Should we spend more to increase the adequacy of income transfers or less to reduce costs? Suppose that only the poor receive increased benefits. Citizens who value both a better life for the poor and low taxes for themselves find it difficult to decide where to strike the balance--hence, the controversy in setting benefit levels. Moreover, the issue is never so clear-cut. The nonpoor always get something from benefit increases. For example, social insurance programs provide direct benefits and, hence, economic security to Americans of all income classes. Even welfare programs provide insurance to the nonpoor against the risk of becoming poor. And providing either too much or too little security may undermine self-reliance.

In this section of the paper, we discuss the conflicts and complementarities between self-interest, compassion, security, and self-reliance with respect to five major questions of income support policy: (1) Should the income transfer system be categorical? (2) Should benefits be provided only to the poor or to all regardless of income? (3) Should benefits be provided in cash or in-kind? (4) Should benefits be provided with no quid pro quo or only in return for work? (5) Should benefits be financed and disbursed by federal, state, or local governments?

Should Transfer Programs Be Categorical?

Some groups are considered more deserving than other groups. Some groups are less costly to aid than other groups. Some groups have greater needs than other groups. Some groups are expected to work, while others are not. Consider the blind and the severely disabled as an example. This group has always been considered more deserving of assistance than the able-bodied poor. And because they are also fewer in number, they will always be cheaper to aid adequately than the able-bodied poor. Similarly, because they are so few in number and different from the rest of us in such obvious ways, the moral costs of excusing the blind and disabled from the obligation to earn their own way is small.

Aiding groups of poor people differently does, however, have economic costs. Ascertaining which group someone belongs to, for example, can entail substantial administrative costs (such as the necessity for a thorough physicial examination to determine whether or not someone is disabled). Treating different groups differently can also create inequities. And it may create incentives to change behavior in undesirable directions.

Inequities exist when equally needy families are given unequal amounts of aid or when the income positions of families are reversed by benefit payments. Avoiding such inequities may require sacrificing other values. For example, if the disabled are treated more generously than the able-bodied, as is currently the case, a family headed by a long-term unemployed, 60-year-old, "relatively unhealthy" male will receive less aid than a family of identical income and size that is headed by a "disabled" male. This may not only be unfair; it is also creates an incentive for the relatively unhealthy male to become classified as disabled. If the distinction between the able-bodied and disabled is abandoned, however, either all of the able-bodied must be treated as generously as the disabled or the disabled must be treated in the same way as the able-bodied. The first entails a decrease in the commitment to self-reliance; the seond, a reduction in compassion.

Should Transfer Benefits Be Targeted on the Poor or Provided to All?

Should benefits be provided to all members of the community regardless of income (non-income-tested) or should they be restricted to those who need them most (income-tested)? This is a question that pervades the debate about benefit programs. Free public education and social security programs are universal; Medicaid, Food Stamps, and Aid to Families with Dependent Children are income-tested.

All income-tested or welfare programs are characterized by an individual determination of "need." Benefits are then related to the difference between the individual's needs and his/her resources. Often, it is required that assets be largely liquidated and used up before benefits are provided. Benefits in non-income-tested programs, on the other hand, are based on average or presumptive need. That is, they depend only on a few readily verifiable personal or family characteristics such as age, previous earnings, number of dependents, or health status. There is no detailed investigation of individual resources and needs, benefits are typically not reduced according to some schedule as the earnings of beneficiaries increase, and assets need not be used up.

Non-income-tested programs reflect a broader interpretation of the basis for providing assistance than do income-tested programs. Underlying these programs is the belief that the near poor, and even segments of the middle class, may need some assistance. The problems of the poorest are obviously not unique; they are simply more acute than those of the near poor or the middle class. Whether a program should be income-tested or not depends, in part, on our views about how generalizable the problems of the poor are.

But the greater the number of people who receive benefits, the more costly is the program to nonbeneficiaries. Programs that provide benefits to everyone--for example, public education--will be more costly to upper-middle-income and upper-income people than programs which provide benefits only to the poorest.

Non-income-tested programs also promote self-reliance among the poor more than means-tested ones because they do not reduce benefits as income increases. If benefits are reduced as earnings increase, the incentive to work is reduced. At a benefit reduction rate of 50 percent, working at a wage of $4.00 per hour nets the welfare recipient only $2.00 per hour. If benefits are reduced by one dollar for each dollar of other income, of course, there is no incentive to increase work effort. Non-income-tested programs may, however, weaken the self-reliance of all citizens potentially affected by the programs. For example, universal old age insurance programs (like our own social security) may substitute some public savings for private saving on the part of all potential beneficiaries.

Choosing the extent to which benefits should be targeted on the poor, then, requires that the community must again strike a balance. Providing more generous benefits to near poor and lower-middle-income families may reduce incentives for the poor to become financially independent. Imposing greater costs on the well-to-do may weaken incentives to become part of this group. Where the community strikes this balance depends upon the balance of political power in society, upon notions of fairness, and upon beliefs about whether providing greater incentives to escape poverty is more or less important to the overall economic well-being of the community than providing incentives to become rich.

Should Benefits Be in Cash or In Kind?

The issue of cash versus in-kind benefits also raises a conflict among values. The independence and self-reliance of beneficiaries is greater if aid is provided in cash rather than in-kind. In-kind benefits restrict the choices available to beneficiaries. Food stamps can be spent only on food, housing subsidies on housing, Medicaid on medical care, and so on. On the other hand, the providers of benefits, taxpayers, know that beneficiaries are receiving those goods and services that meet basic needs if the benefits are provided in kind.

Consider public education as an example. Both cost and compassion considerations suggest that education assistance should be an in-kind rather than a cash subsidy. First, the children of the poor are generally considered more deserving than their parents. Poor children are viewed as innocent victims of poverty; their adult parents often are not. Second, outlays for children (regarded as an investment) may be thought to have a higher payoff to the community than equal cash aid to the adult poor. One way to be sure that the support provided is invested in the children is to subsidize education (an in-kind benefit) rather than giving the cash equivalent to their parents.

Education is an easy case in which to find a rationale for in-kind provision. Whether to provide cash instead of food or housing subsidies is more difficult to resolve. The basic conflict for the community is whether to provide cash, thereby encouraging self-reliance and independence of the poor, or to provide in-kind assistance, which ensures that the benefit goes for what the givers regard as suitable purposes.

Should Work Be Required in Order to Receive Assistance?

The most effective and inexpensive way to stimulate self-reliance on the part of the poor who are expected to work is to provide them with no aid whatsoever. This solution is, obviously, a harsh one. A more generous alternative for the able-bodied poor is the provision of work relief instead of cash. More recently, this has been discussed as the provision of "jobs versus cash."

In a pure jobs program, help is provided only in proportion to the work efforts of the beneficiary. The social message is clear-cut and the pressure to be self-reliant unambiguous. Programs which combine jobs and cash reinforce self-reliance correspondingly less. Providing aid through pure cash programs reinforces self-reliance least.

A jobs program that provides decent jobs to all who want them both increases the incomes of the poor and assures them an opportunity to work at a decent job. As well as providing cash, such an option may provide dignity and self-respect for the poor.

But providing decent jobs to all who want them is not cheap. The more decent the pay and working conditions, the more expensive each job is to create. More important, the better the jobs which are created, the greater the demand for them, as private sector workers may find them more attractive.

A jobs program can also be used as a means of degrading beneficiaries rather than enhancing their self-respect. Harsh work tests, for example, are degrading. Fortunately, neither WPA (the major job-creating program of the Depression) nor, more recently, CETA has been criticized for this form of abuse.

Are jobs programs cheaper than cash programs? A jobs program that transfers the same dollar amount to participants as a cash program will tend to cost more because of the higher overhead costs of organizing employment. But the jobs program will almost certainly lead to smaller reductions in work effort, and there will be some useful goods and services produced by the workers who get the jobs. The answer to the question is unresolved. Clearly, however, the costs of providing jobs rather than cash to severely disabled or low-skill inexperienced workers is more costly than providing jobs to skilled and able-bodied workers.

This issue again stirs conflicts among values. Concern with the independence, self-reliance, and the contribution of beneficiaries argues in favor of jobs as a quid pro quo for assistance. Costs may argue otherwise.

At Which Governmental Level Should Transfers Be Provided?

Which level of government should be responsible for financing and administering income support programs has long been a contentious question. The principal arguments for local control of income support programs are special applications of the general argument for decentralized government. First, the smaller the unit of decision-making power, the greater the chances that citizens can participate directly in self-government. Second, lodging responsibility in the many local governments rather than a single central government stimulates competition within the government sector. Third, in a large and diverse country, appropriate policy for one area may be quite inappropriate in another. The nature of the poverty problem in the South, for example, may be substantially different from that in the rest of the nation.

There are also strong arguments for central control. First, poverty has come to be regarded as a national problem. And, it is argued, individuals should be treated equivalently across jurisdictions. Second, when welfare is handled on a local level, it stimulates an unhealthy competition: Each state or locality has an incentive to keep benefits low and to refuse benefits to those defined as nonresidents. The former leads to inadequate benefits for all; the latter inhibits mobility. Third, state and local governments must maintain a balanced budget. This may entail cutbacks in income support during recessions, a time during which the poor most need assistance. Finally, it has been argued that it is inequitable for some jurisdictions to bear a higher share of the national cost of reducing poverty simply because they have a higher incidence of poverty in their midst. Here again, national financing is required.

These arguments for and against local control again reflect a conflict of values and objectives. On balance, it seems likely that local control, without national regulations or minimum standards, will entail a greater unevenness among jurisdictions in both benefit adequacy and the treatment and stigmatization of beneficiaries. It will also result in a lower average level of income support and place constraints on migration among jurisdictions. The question of whether the gains from local administration outweigh these costs remains unresolved.

SOME BENEFITS AND COSTS OF INCOME TRANSFERS

Reductions in poverty and insecurity are clearly recognized as benefits of income transfers. In the first part of this section we examine the effects of transfers on poverty, insecurity, and the more controversial indicator, inequality. The second part examines the degree to which transfers adversely affect work, savings, and the family.

Effects on Poverty, Insecurity, and Inequality

Rapid growth in coverage and benefit levels of income support programs has significantly reduced the incidence of poverty, though past gains are now being eroded. Table 2, column 1, presents the changes in income poverty from 1965 to 1981 if all cash receipts, including cash income support payments, are taken into account. These data, the official Census poverty statistics, show that poverty fell substantially between 1965 and 1972, remained constant through the rest of the decade, and then increased in both 1980 and 1981. The second column adjusts Census data for underreporting of incomes, payment of federal income and payroll taxes, and, most important, the receipt of in-kind transfers. It shows that poverty has declined by almost 50 percent when income is so defined. The adjusted poverty data suggest a less serious problem in each year but also show no substantial progress since 1972. If data on adjusted poverty were available for 1980 and 1981, it is likely that they would also show an increase in poverty incidence. Even an incidence of 6.1 percent means that 14 million persons remain poor, and among those groups, even adjusted poverty levels remain very high. About one-third of households headed by black females, one-fifth of those headed by white females, and one-tenth of those headed by black males remain poor.

Poverty has declined, but not because the programs of the War on Poverty successfully provided a "hand up" to enable the poor to earn

Table 2

Trend in the Incidence of Poverty among Persons, 1965-1981

Year	% of Population below Poverty Line	
	Census Income	Adjusted Income
1965	17.3%	12.1%
1968	12.8	10.1
1970	12.6	9.4
1972	11.9	6.2
1974	11.2	7.8
1976	11.8	6.5
1979	11.7	6.1
1980	13.0	NA
1981	14.0	NA

Sources: The Census income figures are from U.S. Department of Commerce, Bureau of the Census, "Money Income and Poverty Status of Families and Persons in the United States: 1981." Current Population Reports, Series P-60, No. 134, July 1982, Table 15. The adjusted income figures are from Timothy Smeeding, "The Antipoverty Effect of In-Kind Transfers: A Good Idea Gone Too Far?" Policy Studies Journal, 1982, in press.

their way out of poverty, as President Johnson had advocated. If only income from private sources is counted, the percentage of the population below the poverty line--the "pretransfer poor"--has remained almost constant at about 20 percent since 1965.[7] Cash and in-kind benefits, not increased earnings, account for all of the progress.

In retrospect, this is not surprising. At the onset of the War on Poverty one of every three old people was poor. The rhetoric about providing a "hand-up" notwithstanding, the only way to reduce this mass poverty among the aged was to supplement their incomes directly through cash and in-kind transfers. Transfers were appropriate and did the job. If in-kind transfers are counted, only 6 percent of the aged are now poor. The average per capita income of the aged is now equal to that of the nonaged.

Social security programs provide nearly all American families with economic security against the old age, premature death, disability or unemployment of the breadwinner. Old Age Insurance benefits for retired workers replaced 63 percent of the earnings of a single low-wage worker ($4600) at age 65 in 1978 and 35 percent of the earnings of a high-wage worker ($16,500). For a worker with a spouse, the comparable figures are 94 and 52 percent.[8] Similarly one study indicates that in 1971, unemployment and welfare benefits replaced 31¢ for each dollar of earnings lost owing to unemployment in families headed by men. The comparable figure was 56¢ in families headed by women.[9] Because both Unemployment Insurance and Food Stamps have grown since then, these figures underestimate the current effect of these programs.

While absolute poverty has declined, overall income inequality has remained remarkably stable. If support payments had not increased, the distribution of income would actually have become more unequal during the past twenty-five years. Demographic change accounted for some of the increase in pretransfer inequality during the period, but inequality would not have decreased in the absence of demographic change. Table 3 examines the effect of transfers on inequality from 1965 to 1978. (The distributional effects of the taxes required to finance the transfers are not reflected in the table.) The table indicates that government transfers dramatically reduced inequality for several population subgroups and had a significant impact on the aggregate degree of inequality. This impact increased between 1965 and 1978.

Effect on Work, Savings, and the Family

Effects on Work. Providing help to the poorest members of society may reduce their efforts to help themselves. Such consequences will increase the costs of income transfers that the nonpoor will have to bear. Any income support program will enable beneficiaries to work less if they so desire by providing them with an alternative source of income. Benefit reduction or tax rates in income support programs also induce beneficiaries to work less by reducing the net reward from work. These incentive effects are well analyzed in economic theory. But what economic theory does not tell us is how large the reductions in work will be.

In the absence of evidence, the worst fear is that because of reductions in work due to transfers, the costs to the middle- and upper-income groups of reducing poverty will be prohibitively higher than first

Table 3

Percentage Change in Gini Coefficient due to Cash Transfers, 1965 and 1978

	Change in Gini Coefficient[a]	
	1965	1978
FAMILIES HEADED BY:		
Young Males	-2.1%	-3.8%
Prime-Age Males	-3.2	-7.2
Aged Males	-32.6	-37.5
Young Females	-25.3	-32.4
Prime-Age Females	-22.4	-21.6
Aged Females	-24.4	-37.3
INDIVIDUALS WHO ARE:		
Young Males	-2.6	-3.8
Prime-Age Males	-7.8	-6.8
Aged Males	-46.9	-45.7
Young Females	-0.5	-4.3
Prime-Age Females	-10.8	-13.9
Aged Females	-44.0	-49.5
All Households	-11.1	-14.5

Source: Sheldon Danziger, "The Distribution of Income: An Account of Past Trends and a Projection of the Impacts of the Reagan Economic Program," Institute for Research on Poverty Discussion Paper #692-82, Madison, Wisconsin.

[a]Defined as [100 • (Census Money Income Gini - Pretransfer Gini)/Pretransfer Gini].

appears--relieving poverty breeds poverty. Set against this "worst case" fear is the view that low-income individuals want to work and to better themselves in much the same way as the nonpoor. In this view, transfers are unlikely to seriously diminish work effort and, over the longer run, may actually increase it.

Although almost any aspect of an income support program might cause beneficiaries to alter their work effort, two key financial characteristics--the guarantee and the benefit-reduction or tax rate--are most important. The guarantee, which often varies with family size, is the maximum payment that a person or family could receive. For example, a family of four with no other income might be guaranteed a cash grant of $1000. The tax rate (or benefit-reduction rate) is the percentage by which this payment is reduced as earnings increase. For example, if benefit payments are reduced by 60 cents for each dollar of earnings, this rate is 60 percent. In most income support programs--for example, Aid to Families with Dependent Children, Supplemental Security Income, Unemployment Insurance, and Old Age Insurance (OAI) for those younger than age 72--these benefit-reduction rates are positive and rather high. In several programs, however, benefits do not depend on earnings; neither OAI benefits for those over 72 nor veterans' disability payments are reduced as earnings rise.

Economic theory predicts that the guarantee will reduce work effort. By providing additional income, the guarantee enables beneficiaries to engage in activities other than work. Taxes reduce income and thereby encourage work. On the other hand, they decrease the reward for work and thereby reduce the incentive to work. In transfer programs, the reduction in income resulting from the tax rate is always less than the increase in income resulting from the guarantee. Therefore, transfer programs with positive guarantees always reduce work effort.[10]

Numerous studies--both social experiments and more conventional analyses of data--have confirmed that both guarantees and tax rates affect work effort.[11] The range in the estimates of the size of the effects is quite large. Systematic reviews of the literature, however, have produced relatively consistent estimates with a narrower range. Studies which have examined the behavior of different groups have consistently found that the magnitude of the effects differs among demographic groups. Prime age, healthy, married males respond much less to economic disincentives than do married women or older men.[12]

A few studies have examined the aggregate effect of all transfer programs. Robert Lampman's "guesstimate" of the effect of the expansion of all social welfare expenditures on total work effort concluded that the welfare system's expansion from 1950 to 1976--from 9 to 21 percent of GNP--caused hours worked to decline by 7 percent from what they would have been if the system had not expanded.[13] The effects of some programs (e.g., public education) not in the income support system (Table 1) were included in the study. Moreover, the effect on work of the taxes required to finance the expansion was also included.

Danziger, Haveman, and Plotnick also reviewed the effects of the programs listed in Table 1 and summed up their estimates of the effect of each program.[14] Their study suggests a total work reduction of 4-5 percent. This result is consistent with the 7 percent figure obtained by Lampman, because the programs in Table 1 exclude some major components of total social welfare expenditures. Moreover, these authors did not include the disincentive effect of the increased taxes required to finance the outlays, as did Lampman.

Neither of these estimates supports the view that increased income support or social welfare spending has seriously disrupted the functioning of the labor market. The percentage reduction in total economic activity caused by these disincentives will be less than either the 7 percent or 4-5 percent reduction in time worked because the earnings of most recipients are well below the average of U.S. workers.

Finally, this evidence does not support the proposition that the high rates of unemployment experienced recently are primarily attributable to the growth of income transfers. Since high unemployment rates appeared long before the growth of the income transfer system--(and, indeed, were a principal cause of the development of that system), these findings should not be surprising.

Effect on Savings

Transfers theoretically affect savings in at least four different ways--two of which decrease and two of which increase savings. First, transfers tend to reduce savings because income is transferred to lower-income people, who have higher propensities to consume, and away from higher-income people, who tend to save more. In a fully employed economy, the increased consumption could come only at the expense of investment, and would result in some slackening of production and growth. In an economy with slack resources, however, this expansion in consumption would result in greater output and employment and may induce greater investment.

Second, the expectation of social security benefits may lead citizens to save less for their retirement. Because the system operates on a pay-as-you-go basis, public saving does not offset the reduction in private saving. As a result, total saving in the economy is likely to fall. On the other hand, because of social security, some people may retire earlier and hence require more retirement income than otherwise. This may cause them to save more in their preretirement years, thus increasing total saving in the economy. Finally, again because social security is a pay-as-you-go system, income is being transferred from young people to older people. If parents wish to leave a bequest to children, they may increase its amount to offset the increased tax burden on children caused by the social security system. The result may be an increase in saving.

In recent years a large number of researchers have addressed the social security-savings nexus.[15] An impressive array of variables and empirical equations have been mustered in the "regression wars" among these contenders. The general result--and perhaps the current consensus among economists--is that social security has depressed private savings by a small amount, but that this amount has not yet been measured precisely.

These studies, it should be noted, focus on social security alone, not on the effect of the entire income support system, and they do so in the context of a fully employed economy. As noted above, for a slack economy the case is quite different. Given the failure of the American economy to achieve full employment over most of the postwar period, the overall effect of the income support system on the level of savings--and hence on the growth rate of GNP--may well have been positive.

Effect on Family Stability

The role of the family is a central issue in income support policy. Transfer programs compensate for failures of the family to perform certain economic functions and, in doing so, these programs reduce the costs of family splitting. At the same time, however, they may strengthen the self-reliance, independence, and freedom of choice of particular family members.

Consider the case of families headed by women. One of the considerations that prevents some women from leaving a bad marriage is fear that they will be unable to support themselves and their children. (A similar concern, and the guilt attached thereto, undoubtedly restrains some men as well.) Public aid to female-headed families, by providing support, reduces the economic need for a husband. Aiding female-headed families may, therefore, weaken the institution of the intact family while increasing the independence of women.

There are two reasons for concern about the effects on marital stability of aiding single-parent families: cost, and the effects on the children. The seriousness of each, of course, depends upon the magnitude of the impact of transfers on marital stability.

As suggested above, income transfer programs which provide aid only to families which have split up would tend to increase the number of such families. Similarly, the more generous the benefits, the greater the expected effect. Some studies do find positive correlations between AFDC benefit levels and the percentage of female-headed families, while others do not.[16] The extent to which the correlations that have been found are evidence of causation, however, is still in dispute. For example, New York and California have high AFDC benefits and a high incidence of female headship, but they also have very liberal divorce laws.

It is impossible to predict a priori the effects of income transfer programs that provide aid to both intact and split families. The destabilizing independence effect of providing aid to split families could be offset by the stabilizing effect of providing aid to intact families. This logic suggests--and both researchers and policymakers believe--that a program which provides aid to intact as well as split families would lead to fewer marital splits than a program which provided aid to only split families.

In view of this logic, the initial findings of the Seattle-Denver Income Maintenance Experiment (SIME-DIME) were surprising: The experimental negative income tax programs increased marital splits.[17] Subsequent analysis of the results by Cain suggests that the original analysis may have been misleading because (1) it confounded the effects of experimental training programs with experimental NIT programs; (2) it failed to distinguish between the effects on childless couples (who are not eligible for AFDC) and couples with children; (3) it arbitrarily focused on couples enrolled for 5 rather than only 3 years, despite the fact that doing so excludes 2/3 of the sample; and (4) it incorrectly dismissed the possibility that differential attrition of experimentals and controls biased the results.[18] Until other scholars have the opportunity to reexamine the SIME-DIME results, a healthy dose of skepticism is warranted. Finally, because existing research was so poorly designed, we know virtually nothing about the effects on children of growing up in a single-parent family.[19]

WHERE DO WE GO FROM HERE?

Our review has emphasized both the structure of the nation's income transfer system and its effects on the level of poverty, work effort, savings, and family stability in the U.S. economy. Its effects were mixed. Substantial reductions in income poverty are attributable to the current system; at the same time, transfer programs have incentives for reducing labor supply, saving, and marital stability, and apparently do so to some limited extent. This conclusion leads immediately to the next question: Can the gains achieved by the system be sustained or expanded, while some of the adverse side effects (on work, saving, and marital stability), the gaps in coverage, and other structural problems are corrected?

In this section, we suggest several major changes in the income transfer system designed to retain the gains it is achieving while correcting some of its problems. Before suggesting these changes, however, we will be explicit about the objectives which these proposals seek, and the judgments on which they rest. We will state these assumptions and judgments in summary form:

- Although some observers believe that the costs of expanded transfers have exceeded the gains, and that retrenchment is in order, we believe that the evidence does not justify these conclusions. Reductions in income support would lose much in the way of poverty reduction and gain little in the way of supply-side incentives.
- While the existing categorical nature of the system has adverse effects--high administration costs, gaps in coverage, horizontal inequities--the distinction between those who are expected to work and those who are not is an important one and should be maintained.

- While some in-kind transfers appear to reflect strong taxpayer-contributor tastes (e.g., health and education), others do not. In particular, food stamps, which induce little if any additional food consumption while seriously stigmatizing beneficiaries, should be converted to cash.
- To the extent that it is feasible, numerous income-tested programs should be replaced by a single non-income-tested program. This is especially true for support provided for those expected to work, where the high tax rates in welfare programs do generate work disincentives.
- Progress toward assisting those expected to work requires policies designed to enhance earnings and employment opportunities in the labor market for low-income workers. Through such policies--e.g., employment subsidies--job opportunities could be expanded. Such policies should offset the adverse employment effects caused by minimum wages and other gaps between worker productivity and the wage costs borne by employers.
- Support for children in single-parent, low-income families is better provided through a universal system financed largely by absent parents, than through a categorical welfare program and a haphazard pattern of individual legal decisions.
- To maintain the geographical mobility of labor and to reduce the most serious regionally based horizontal inequities, income transfer policy should be principally a function of the federal government. States, however, should be allowed to supplement federal benefits and to provide support for emergencies and other special needs.

- Comprehensive reform of the current income transfer system requires that transfer programs be carefully integrated with the personal income and payroll tax programs. Such integration may entail radical alteration of positive tax policies.

To achieve the objectives implicit in these judgments, we suggest a four-part agenda for reorienting income support interventions. First, in place of the current Food Stamp program and the personal income tax, a Credit Income Tax (CIT) with a modest income guarantee (about $600 per person) would be adopted. The per capita tax credits--essentially income grants to all families--would replace both the personal exemptions in the current income tax and the Food Stamp program, and would be paid in monthly installments to all persons in the manner of children's allowances in other countries. Making payments to everyone would solve the problems of nonparticipation and application in the current income support system and simplify benefit administration. In order to keep the tax rate--required to finance the CIT--from becoming too high, the tax base would be made comprehensive by eliminating itemized deductions in addition to the personal exemption, and by making income from all sources (except the credits themselves) taxable. The tax rate would be identical on all incomes except the very highest; persons in the highest bracket would pay surtaxes. This is a major change and would accomplish several objectives. The comprehensive tax base and constant marginal tax rate (for most of the population) would simplify tax administration and result in a slight increase in total tax payments for upper-income families while allowing for a decrease in marginal tax rates on their earnings.

Second, the SSI program would be eliminated. Instead, the credits in the CIT for the aged, blind, and disabled would be supplemented to the current SSI-plus-Food Stamp level. This change would permit the social security retirement program to focus on earnings replacement, rather than the current dual objectives of earnings replacement and minimum income. The burden of income redistribution would be removed from what is essentially an insurance program.

Third, a Social Child Support program would be adopted in lieu of the current AFDC program. It would work as follows. All children with a living absent parent would be eligible for a public child support payment. This payment would not depend on the income of the single parent. Together with the per capita tax credit, the minimum child support payment would be set high enough to eliminate AFDC in most states. (Very high benefit states could supplement the payments.) The payments would be financed by a tax on absent parents equal to some proportion of their income for each child not living with them (for example, the tax could be 15 to 20 percent of income for the first absent child and an additional 5 to 10 percentage points for each additional child). The child would be entitled to a child support benefit from the government, which would equal either a minimum payment or the amount of tax paid by the absent parent--whichever was larger. If the tax paid by the absent spouse fell below the minimum payment, the shortfall would be financed from general revenues.

The child support system would more effectively accomplish what AFDC intends: adequate income guarantees for children in one-parent families. Responsibility for these children would be largely shifted from taxpayers in general to absent parents (thereby reducing incentives for marital splits), single parents would not face the high AFDC tax rate, welfare administration would be simplified, and the burden on the court system would be reduced.

The CIT and the Social Child Support system would consolidate and simplify programs, increase the payoff for work, and assist female-headed families. They would, however, leave a major problem untouched. Although these reforms encourage poor families to substitute earned income for welfare income, they do not increase the demand for low-skilled workers.

The fourth part of our proposal focuses on the demand side of the labor market. To provide work opportunities for low-skilled workers, many of whom are not supported by income transfers, there should be a program of targeted employment subsidies. Such a program is exemplified by the current Targeted Jobs Tax Credit program. Appropriately designed, this strategy would allow low-skilled workers to be paid a higher wage than their level of productivity would normally command, while insuring that the net cost to employers of hiring such workers would not exceed their productivity needs. This program would thereby offset the adverse employment effects of minimum wage legislation, and expand employment without adding to inflation. Such benefits should outweigh any disadvantages of the program (such as worker displacement or reduced productivity growth).

As policy instruments for expanding the work opportunities of the low-skilled, employment subsidies to private employers are preferable to special public service employment programs. The costs to the taxpayer per job created would be somewhat lower, and employment in a private enterprise would ensure gross productivity at least equivalent to the employer's wage cost. Moreover, we do not have the knowledge or skill required to successfully administer large-scale public service employment programs.

Nevertheless, a residual low-wage public service employment program would seem essential in completing the transition to an earnings-based system. There are bound to be some workers who will not be employed by the private sector, even with the subsidy. Equity would seem to require that some work opportunity be afforded them as well. The combination of a program guaranteeing jobs at the minimum wage and the CIT would enable those expected to work, but unsuccessful in finding a subsidized job, to achieve an income level at about the poverty line.

A credit income tax with an expanded tax base, a universal child support system for children in single-parent families, and the adoption of a targeted employment subsidy program with a residual public jobs program form the core of our reform package. These proposals represent a fundamental shift in the nation's approach to the problem of poverty and income distribution. This new approach reflects certain ideals, but is not unrealistic. Although a modest increase in net taxes would be required of very high income families, the volume of cash income support to the poor would not rise markedly. Some of the subsidies paid would go to support the expansion of work opportunities for current welfare beneficiaries.

The essence of the proposed change is to further the anti-poverty effort by reducing reliance on income-tested transfers and by emphasizing the importance of earned income.

Clearly, such a reorientation requires a great deal more knowledge about the benefits, costs, and administrative design of specific initiatives. Nevertheless, it offers the potential for reducing poverty and dependence on welfare, while inducing those with low skills to increase their work effort and employers to increase their demands for such workers. Sacrificing the potential for these gains in the drive for short-term retrenchment would seem myopic, at best.

NOTES

[1]Organisation for Economic Cooperation and Development, Public Expenditures on Income Maintenance Programs, Studies in Resource Allocation No. 3 (Paris, France: OECD, July, 1976).

[2]See Almar W. McMillan and Ann Kalman Bixby, "Social Welfare Expenditures Fiscal Year 1980," Social Security Bulletin, May 1980, 43, 3-17.

[3]For a history of the development of aid for the poor in the U.S., see June Axinn and Herman Levin, Social Welfare: A History of the American Response to Need (New York: Harper and Row, 1975).

[4]U.S. Committee on Economic Security, Report (Washington, D.C.: Government Printing Office, 1935), p. 7.

[5]Robert J. Lampman, "What does it do for the poor? A new test for national policy," Public Interest, 1974, 34, 66-82.

[6]See, for example, Arthur Okun, Equality and Efficiency: The Big Tradeoff (Washington, D.C.: The Brookings Institution, 1975).

[7]Robert Plotnick and Timothy Smeeding, "Poverty and Income Transfers: Past Trends and Future Prospects," Public Policy, Summer 1979, 27, 255-72.

[8]Advisory Council on Social Security, "Background Papers for Public Hearings" (Washington, D.C.: U.S. Department of Health, Education, and Welfare, Oct. 1978), p. 3.

[9]Edward M. Gramlich, "The Distributional Effects of Higher Unemployment." The Brookings Papers on Economic Activity, 1974, Vol. 2.

[10]A wage rate subsidy provides no benefit without work; it has no guarantee. It may, therefore, either increase or decrease work.

[11]For reviews of this literature, see Stanley Masters and Irwin Garfinkel, Estimating labor supply effects of income maintenance alternatives (New York: Academic Press, 1978); and Sheldon Danziger, Robert Haveman, and Robert Plotnick, "How Income Transfers Affect Work Savings and Income Distribution," Journal of Economic Literature, Sept. 1981, 19, 975-1028.

[12]See Masters and Garfinkel op. cit.

[13]Robert Lampman, "Labor Supply and Social Welfare Benefits in the United States." In National Commission on Employment and Unemployment Statistics, Concepts and Data Needs: Counting the Labor Force, Appendix Vol. 1 (Washington, D.C.: Government Printing Office, 1978).

[14]Danziger, Haveman, and Plotnick, op. cit.

[15]See Danziger, Haveman, and Plotnick, op. cit.

[16]See Katharine Bradbury, Irwin Garfinkel, et al., The Effects of Welfare Reform Alternatives on the Family, Special Report 13 (Madison: Institute for Research on Poverty, University of Wisconsin, 1977); and Maurice MacDonald and Isabel V. Sawhill, "Welfare Policy and the Family," Public Policy, Winter 1978, 26, 89-119.

[17]M. T. Hannan, N. B. Tuma, and L. P. Groeneveld, "The Impact of Income Maintenance on the Making and Breaking of Marital Unions: Interim Report," Research Memorandum No. 28, Center for the Study of Welfare Policy (Menlo Park, Calif.: SRI International, June 1976); and "Income and Independence Effects on Marital Dissolution: Results from the Seattle-Denver Income Maintenance Experiments," American Journal of Sociology, Nov. 1978, 84(3), 611-633.

[18]Glen Cain, "Comments on August 18th Version of Marital Stability Findings" Chapter 3 (SIME-DIME Final Report to Department of Health and Human Services), Memorandum, Sept. 2, 1981.

[19]Heather Ross and Isabel V. Sawhill, Time of Transition: The Growth of Families Headed by Women (Washington, D.C.: The Urban Institute, 1975).