than they were a decade ago. Poverty has clearly increased and has shown a stubborn persistence in the face of strong sustained economic growth and high employment. While the Federal Tax Reform Act of 1986 reduced income taxes on poor families back to 1978 levels, payroll taxes and state and local taxes still place very high burdens on poor families. An American urban and rural underclass is a growing phenomenon. It is becoming increasingly hard to argue that all U.S. children have equal life chances.

Recent evidence from the 1950 to 1980 Censuses and from wealth surveys taken between 1962 and 1984 indicate that the next generation of elderly, i.e., those born between 1925 and 1935, who will reach age 65 between 1990 and 2000, will be even better off than today's elders.

But my prediction of the future performance of U.S. social policy towards children is just the opposite. Single-parent families are clearly at greater risk of economic insecurity than are married-couple families. Divorce and out-of-wedlock births are probably here to stay for the foreseeable future; the percentage of children in such units increases annually. Recent trends in health care costs are likely to lead employers to price low-wage employees out of coverage as fast as new Medicaid regulations can add others to the rolls. The percentage of poor children without health insurance has been constant since 1983 and, barring new legislation, will probably remain so. Policy rules and regulations will inhibit some potentially effective programs just as they are being brought to bear on low-income adolescents. For instance, allocations of state training funds for the Job Training Partnership Act (JTPA) decline with unemployment rates (despite the fact that JTPA serves only 5 percent of the eligible population). At the same time the program is being targeted toward hard-to-serve populations (e.g., at-risk youth and school dropouts) there is less serious money to deal with their needs. The situation appears grim indeed.

There are comprehensive policy proposals which would help remedy this situation, e.g., Jule Sugarman's Children's Trust, which would add a "C" to OASDHI; Irwin Garfinkel's Child Support Assurance System; and Robert Have- man's dramatic proposals for bringing equal opportunity back to the fore of American social policy. But these initiatives are currently politically (and therefore budgetarily) lifeless. American social thought on poverty and inequality has been captured by Murray, Anderson, Butler, Mead, Bush, and Reagan. The institutions of American social policy are still those created more than a half-century ago, when widows, war veterans, and old people were the at-risk groups in society, and Ozzie and Harriet families were the norm. What is needed is some fresh Lampman-like vision of American social policy which calls attention to the vulnerable status of a large minority of American children and convinces us that it is in the direct and immediate interest of all Americans—those with and those without children—to begin to rectify this situation.

(Notes on p. 16)

Evaluating transfers to the elderly

by Marilyn Moon

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A careful review of Robert Lampman's Social Welfare Spending helps avoid some of the common pitfalls that individuals encounter when they begin to discuss public programs for the elderly. First, and perhaps foremost, Lampman points out in his work that the redistribution of resources can be of value to society by reducing economic insecurity and poverty. Second, he takes a broader view of the world than merely public benefits or taxes; rather, he stresses that the whole picture of public and private transfers should be taken into account. If, as a society, we stress public benefits for one group and private ones for another, only a comprehensive view will allow us to determine whether that approach leads to society's desired distribution of resources. Finally, Lampman advocates that the best decisions will be made from a full understanding of the redistribution of resources: who benefits, and what would happen if the redistribution did not take place. Only then is it possible to make well-informed policy choices. These principles are instructive in examining economic transfers for the elderly in the 1980s and challenges for the future.

The public sector's role in transfers to the elderly

In many ways, we stand at a crossroads in designing social programs for older Americans. Within the past two or three years, the specters of intergenerational conflict and greedy retirees demanding unfairly generous treatment have been raised in the media and in some policy debates; as yet, little evidence exists that such attitudes pervade the general public.

At the same time, the 1988 catastrophic health legislation was designed to create an important new precedent by asking beneficiary groups themselves (in this case the elderly and disabled) to subsidize the benefits for less well-off Medicare beneficiaries. The fire storm of protest that resulted in the repeal of the law in January 1990 indicates that this issue is far from resolved. To some extent the questions being raised address the question of intergenerational equity, but they just
as directly relate to the question of how, as a society, we view redistribution of resources from one group to another, and whether our tolerance for using taxes to redistribute resources through the public sector has declined.

Should we expect the private sector to fill a larger role over time in benefits to older persons? Private pensions might be expanded. Families could also be expected to do more to support their older members. Or should we continue to assign a large share of this activity to public programs?

The success of public programs in the 1970s and 1980s has led to lower poverty rates for the old than for the population as a whole. Within the elderly population, however, the redistributional impacts of these public transfers vary. For the oldest old, Social Security income is very important, while private pensions play almost no role. The very old who live alone, are chronically ill, and often have no family support, suffer from considerable unmet need for long-term care services. Social Security and—to a lesser extent—Supplemental Security Income remain critical for this group. Thus, reliance on nongovernmental sources of income would impoverish large numbers of them.

Social insurance vs. targeted programs

The decade of the 1980s has been a period of widening disparity in public transfers between the young and the old. Benefits to the elderly have not been expanded, but relative to the young, older Americans have fared quite well. Concurrently, changes in the overall distribution of income from private sources, such as lower wage growth, have also increased some of the differences between elderly families and those headed by younger adults.

Historically, public sector transfers targeted on the old have been broad based, offering universal coverage through social insurance. Benefits to children and young adults, on the other hand, have largely been restricted to those in need (with the exception of education). Part of the justification for this approach has been the assumption that transfers to the elderly do not result in adverse financial incentives and lost work: i.e., the social costs of transfers to the elderly are not as high as for working-age families. In addition, the redistributional goals of offering protection to all older Americans, regardless of their work histories, etc., have been much less controversial. The social benefits of such transfers have been widely accepted.

But the current fashion centers on policy changes to restrict benefits so as to reduce transfers to the middle class or upper middle class. For example, taxation of Social Security benefits as part of the 1983 Amendments represented a change aimed only at individuals with relatively high incomes from all sources. Similarly, the Tax Reform Act of 1986 offered the least tax relief to higher-income seniors—a group which has historically enjoyed low tax liability.

Gradual cuts in the Medicare program in the 1980s passed on some additional costs to elderly beneficiaries, directly through higher deductibles and premiums, but also through the indirect effects of more restrictions on coverage of certain types of care. Finally, the catastrophic insurance legislation would have charged a significant income-related premium, reducing substantially the overall subsidy provided to high-income beneficiaries of Medicare. Thus, some redress of preferential treatment for those with higher incomes among the elderly has been legislated, and some has incurred the wrath of groups representing the elderly.

Future policy choices

Over time, the increasing diversity in the economic status of our older citizens and questions of affordability may necessitate further changes in publicly provided income support programs directed at the elderly. How might future policy changes deal with the economic diversity in improved targeting of benefits?

It will become increasingly appealing to subdivide the "elderly." Indeed, to some extent that has already been occurring, with new attention paid to the old old. And the special needs of some groups such as widows may command attention. Finally, some policymakers and analysts propose a dramatic shift from a social insurance to a welfare model in public programs. But each of these possible approaches raises serious problems.

What about targeting enhanced benefits on the old old? Should age itself trigger special benefits? Cost-of-living adjustments and the savings behavior of at least the current generation of elderly suggest that individuals' incomes do not deteriorate very much over time, absent some major event such as widowhood. And although ill health or death of a spouse is more likely to occur at advanced age, it is the event and not the age that is the trigger. Indeed, young widows are as likely to be in poverty as are older ones. Why not then use some other indicator such as marital status?

A period of temporary benefit enhancements right after the death of a spouse—and perhaps associated with health care costs for the spouse—might help some widows who find themselves only temporarily in need. Extension of Social Security at the couple's combined level for several months might provide some security in a transition period, for example.

For women likely to experience extended or permanent periods of poverty, changes in widows' benefits under Social Security might be considered. Similarly, young widows who are not yet eligible for Social Security may be particularly at risk. And for the very poor, SSI’s basic guarantee is lower for individuals than for couples—a policy that could be changed to bring all single beneficiaries up to the poverty line. All of these targeted options also have costs, however, and might only be offered over time if other benefits were
reduced. Further research is needed on such targeted options in order to understand whether they would fill the needs of disadvantaged groups.

A third area of possible increased targeting of Social Security and Medicare would subject these programs to increased income-relating of benefits. Of course, Social Security has always had a benefit structure meant to target more benefits on those with low earnings. And, as mentioned above, many recent policy changes in these social insurance programs have extended this targeting further.

Will we move further in this direction? Those who fear the payroll tax is increasing too fast and those who would like to further cut the federal budget are likely to maintain strong pressures to tax Social Security and perhaps Medicare to a greater degree, change the benefit formula under Social Security, or institute further premium changes under Medicare tied to the income tax. Some advocates of expanded benefits in areas such as long-term care also see the income-relating of other benefits as a means for financing new ones.

These proposed changes could result in a more equal distribution of incomes over time to our older citizens. If the goal is to provide a basic floor of income from the federal government, income-relating is a surer way of achieving goals than changing policy by age or gender, for example—at least in theory.

The downside of such arguments is the fear of erosion of support for our most popular and stable programs—those encompassed by Social Security. One has only to compare the status of Medicare with that of Medicaid to understand why many fear putting our programs for the elderly more on a welfare footing. Both of these programs began at the same time and both were intended to provide access to health care for particular subgroups of the population. Medicaid, however, serves less than half of the poor, and the benefits remain seriously underfunded, causing major problems in attracting physicians willing to serve patients and jeopardizing access to those who are eligible. Certainly there are other factors to be considered here, but a welfare approach tends to be very unpopular in the United States and could dramatically change the support for Medicare and Social Security. The goals of economic security—through greater likelihood of continued benefits over time—and alleviation of poverty might thus come into some conflict.

**Conclusion**

Assessing goals and motives of such proposed policy changes requires that we make use of Robert Lampman’s strategy of viewing redistribution as a means of attaining social goals that carries with it attendant costs and benefits. This accounting process will enhance the quality of the public debate over policies for the elderly.

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**Social thought and poor children (Continued from p. 14)**