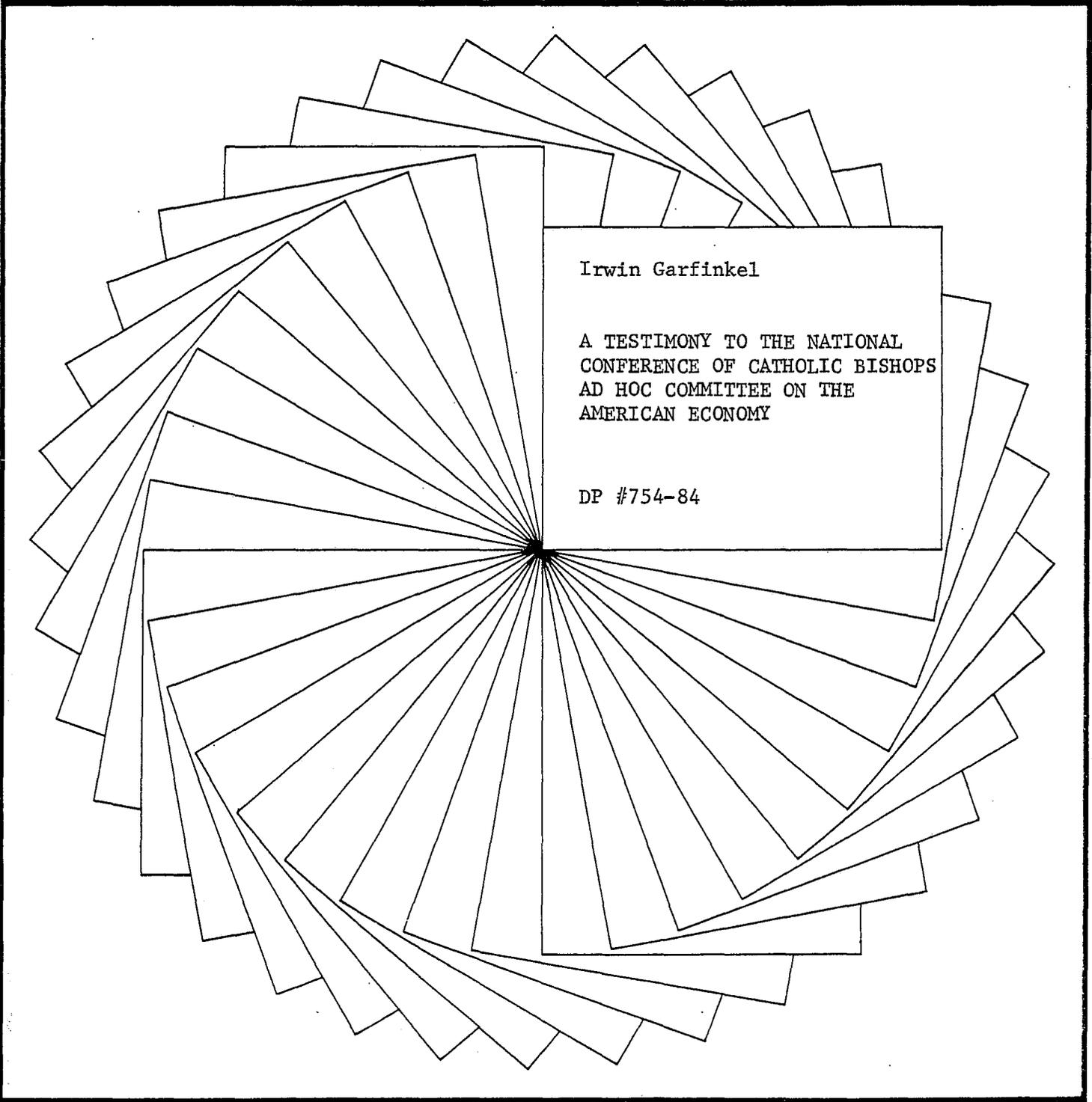

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A TESTIMONY TO THE NATIONAL
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AD HOC COMMITTEE ON THE
AMERICAN ECONOMY

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A Testimony to the National Conference of Catholic Bishops,
Ad Hoc Committee on the American Economy

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Abstract

The three major questions related to income transfer policy are the following: (1) Should we spend less in order to reduce costs or should we spend more to increase economic security? (2) Should the poor be aided by programs which provide benefits to all income classes? And (3) Should aid be provided in cash or in-kind? This paper addresses each of these questions in turn and brings the answers to bear on the system of child support in current use in the United States. It concludes with a proposal for a new plan for child support insurance which, while providing assistance to the largest group of the poor, namely female-headed households, will at the same time reduce welfare rolls.

A Testimony to the National Conference of Catholic Bishops,
Ad Hoc Committee on the American Economy

I am honored to address you. Religious leaders have a critical role to play in debates about social policy. As Gunnar Myrdal, the Swedish Nobel Prize winner in Economics, argues with rigor and eloquence in his classic book, An American Dilemma, social problems are ultimately moral problems.

I have not studied much moral and religious thought. But I care deeply and have thought a great deal about the values that underlie social welfare policy choices and their role in American history.

The three values I will focus on today are compassion, self-reliance, and self-interest. Compassion, is probably inborn and is certainly cultivated and reinforced by our Judeo-Christian ethic. A second vital part of our heritage is the fostering of self-reliance with its concomitant virtue of independence. The third value is self-interest. While it is obvious that self-interest is a vital part of our heritage, it may seem strange to call self-interest a value. Adam Smith, however, taught us how the pursuit of self-interest leads through the invisible hand of the market to the public good. Yet my favorite description of the value associated with self-interest, together with its limitations, comes from Rabbi Hillel:

If I am not for myself, who am I?
If I am for myself alone, what am I?¹

Compassion, self-reliance, and self-interest are not the only values at stake in social welfare policy. But they are the critical ones. Consequently while other values are also discussed where appropriate, the

conflicts and complementarities among these values are stressed throughout my comments.

My remarks today will focus on income transfer policy and will address three major questions: (1) Should we spend less in order to reduce costs or should we spend more in order to increase economic security? (2) Should the poor be aided by programs which provide benefits solely to low-income people or by programs which provide benefits to all income classes? And finally, (3) Should aid be provided in cash or in kind? My discussion of each issue begins with an analysis of the inherent conflict and complementarity of values and includes a description of how the issue has been resolved in the past. In each case I conclude with a brief synopsis of my views on where we are and where we should be going. In my concluding comments I discuss one specific proposal in detail.

SHOULD WE SPEND MORE OR LESS?

There is probably not a single issue in income support policy which is more fraught with emotion than whether to spend more to increase security or less to reduce costs. It is the purest reflection of the inherent conflict between compassion and self-interest.

Suppose that only the poor receive increased benefits. In this case, 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 rarely 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.

Finally, providing either too much or too little security may undermine self-reliance. Presently, it is popular to emphasize how high benefits can undermine self-reliance. Higher benefits do lead to bigger reductions in work by beneficiaries. There is no question about that.² How big these reductions are and to what extent they affect self-reliance, however, are not so obvious.

The time will come again when it will be popular to stress that too little security and too few benefits undermine self-reliance. Free public education equips our population with the education and skills which are a prerequisite for independence. Unemployment benefits provide the unemployed with the economic resources to patiently seek work commensurate with their skills. Retirement benefits provide a secure base upon which the elderly can count and build.

How have we resolved this clash between the desire to spend more to reduce economic insecurity or spend less to reduce costs? Throughout American history alleviating economic insecurity has been recognized as an essential--albeit controversial--government responsibility. Just as numerous other customs and laws were brought from the old to the new land, the colonists also brought with them the British Poor Law. By 1789, public assistance was one of the largest items of expenditure in many American towns.

Periodically in our history there have been explosive bursts in our efforts to reduce economic insecurity. The first of these resulted in the establishment of free public education. In this area we pioneered

and still lead the world. We were the first country to provide free public education. Indeed, by the time Karl Marx and Friedrich Engels wrote their Communist Manifesto in 1848, which called in its sixth plank for free public education, nearly all of the American states already provided it. Today no other country in the world save Canada has a higher proportion of its children enrolled in school beyond age 18.³

The New Deal and the War on Poverty constitute two other great bursts. President Reagan was elected in 1980, in part in reaction to the dramatic growth in social welfare expenditures following President Johnson's 1964 declaration of a War on Poverty.

My own belief is that such a reaction was inevitable and useful in a democracy. It is possible to spend too much. After a big burst we should pause and digest what we have done. Critics of this huge increase in social welfare expenditures say we threw money at problems. That is correct. But contrary to what they say, it worked. About three-fourths of the increased expenditures went to the aged. In 1964 one of every three old people was poor. Between 1965 and 1972 we increased social security benefits five times, doubled the value of real benefits, indexed benefits to the cost of living, and enacted Medicare, Medicaid, and Food Stamps. By 1980, only one in seven old people was poor. If the value of in-kind benefits is counted, only one in 25 old people was poor. While not perfection, that is quite a social achievement.⁴

Just as increased expenditures helped reduce poverty, the relatively modest cuts in total social welfare expenditures which Reagan has persuaded Congress to adopt have led to modest increases in poverty. The larger cuts that he proposed would lead to even larger increases in

poverty. Most of the increase in poverty we have experienced under the Reagan administration is due to the 1981-83 recession.

Furthermore there is no convincing scientific evidence that large cuts in taxes and social welfare expenditures will lead to large productivity gains. Consequently I believe a good moral stance is to be opposed to social welfare cuts in general, though open both to specific cuts which do little harm to the poor and much good for the rest of us and to specific increases which do much good for the poor and little harm or even some good for the rest of us.

UNIVERSAL OR INCOME-TESTED PROGRAMS?⁵

The second critical policy issue is the question of whether benefits should be provided to all members of the community alike through universal programs or only to those who need them most through welfare programs. Free public education and social security are universal programs; Medicaid, Food Stamps, and Aid to Families with Dependent Children are welfare programs.

Universal programs reflect a broader notion of compassion than welfare programs. Underlying universal programs is the belief that the near poor, and even segments of the middle class, need some help, as well as the very poor. The problems of the very poor are obviously not unique. They are simply more acute. We may choose to aid only those who are most acutely affected by such problems, or we may extend aid to others who suffer but less acutely so. Unemployment, for example, is most severe for the poorest, but it is often severe even for middle-income Americans. The fact that unemployment insurance provides benefits

to all Americans rather than just to the poorest reflects the compassion society feels for the unemployed, irrespective of their poverty status.

Another way to put this is to argue that whether a program should be universal or not depends in part on our views about how generalizable is the particular problem of the poor that the program is designed to address. One of the reasons we provide free public education is that we fear that the poor, given their limited financial resources, will underinvest in their children's education both from the child's and the rest of society's viewpoint. But because all of us benefit from having a highly educated society and thereby from the education of everyone else's children as well as our own, this will be true of all of us to a greater or lesser extent. Thus, while underinvestment in children's education may be particularly acute for the poor, it is a problem all of us face. Similarly, while the poorest members of society may be under the most pressure to underestimate how likely they are to need savings for a rainy day--in the event of unemployment, disability or, more happily, an unexpectedly long life--all of us are tempted to undersave to some extent.

Of course the greater the number of people who receive benefits, the more costly the program will be to nonbeneficiaries. Programs that provide benefits to everyone (such as public education) will be more costly to upper-middle-income and upper-income people than programs which provide similar benefits only to the poorest. The very poorest, the near poor, and a fairly sizable chunk of middle-income Americans, for example, all receive greater benefits from public education than they pay in taxes. Consequently, the net costs must be shared among upper-middle and upper-income people. If we subsidized the education of only the very poor, only the very poor would receive more benefits than they pay in

taxes, and the costs of the program could be shared among near-poor and lower-middle-income people as well. In short because universal programs cost them more than welfare programs, the narrow self-interest of citizens with above-average incomes will lead them to favor welfare programs. There must therefore be substantial advantages to them to make them favor a universal program.

Universal programs also promote the self-reliance of low-income people more than welfare programs because they do not reduce benefits as income increases. On the other hand, because welfare programs are designed to aid only those with low incomes, each reduces benefits by some proportion as the income of beneficiaries rises. In so doing, welfare programs 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.⁶

Welfare programs are not a desirable means of supplementing the incomes of those expected to work, precisely because they lead to this regressivity. Concern about the self-reliance of the poor and near-poor should push us away from supplementing the incomes of those expected to work through programs which stack the deck against their making it the way Americans are supposed to make it--through hard work. The poor and near poor need greater, not lesser, incentives than the rest of us.

Consider the case of women who head households. Except for widows, we aid them through welfare programs. Before President Reagan limited

the work incentive features of the AFDC program, the average benefit reduction rate in the AFDC program was 40 percent. But AFDC beneficiaries also receive Food Stamps, and often live in public housing, where rent subsidies decrease as earnings increase. Accordingly, their cumulative tax rate frequently reaches 70 percent! Moreover, the infamous Medicaid "notch," which completely terminates a recipient's eligibility as soon as income reaches a specified level, pushes the tax rate over 100 percent when earnings approach 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 work at all. Over 30 percent of those who receive AFDC during at least some part of the year also work during at least some part of the year!⁷ 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, to get ahead and to make a better life for themselves.

A second reason for not supplementing through welfare programs the incomes of those expected to work is that doing so unnecessarily stigmatizes them. Any program which primarily, or even largely, serves those who cannot make it will stigmatize all who participate in the program including those who are merely having their incomes supplemented. Indeed, a major cost of participating in "welfare" is loss of pride. So much stress in this country is placed on economic success that to declare oneself poor is to proclaim oneself a failure. Partly as a consequence of the stigma of welfare, over 50 percent of those who are eligible to participate in both the SSI and Food Stamps programs do not claim the benefits to which they are entitled.⁸

Universal programs, on the other hand, while not encouraging dependency of low-income people, do weaken the self-reliance of the rest of society. Welfare programs for the aged, for example, minimize the incentives for savings only among those who expect to be poor in old age. A universal old age pension or an old age insurance program (like our own social security), in contrast, substitutes some public savings for private initiative on the part of everyone in society. Moreover, because universal programs cost more to those wealthy enough to pay taxes, they reduce the incentives to become wealthy more than welfare does.

In choosing between universal and welfare programs, therefore, the community must strike a balance--between providing more generous benefits to near-poor and lower-middle-income families and greater incentives for the poor to become financially independent, on the one hand, and greater costs to the better-off with concomitantly weaker incentives to become a member of this group, on the other. Where the community strikes this balance depends upon the political power balance in society, upon notions of fairness, and upon beliefs about whether providing greater incentives to become nonpoor is more or less important to the overall economic well-being of the community than providing incentives to become rich.

How have we resolved this great issue in our past? The first point to make is that, though we have always provided public assistance as a last resort to those who could not make it within the normal institutions, we have always taken pride in how few people need to have recourse to our welfare programs.

The second point to make is that the programs which do the most to reduce poverty and the ones in which we take the greatest pride are universal programs. In the early part of the 19th century, there was a big

debate in one state after another about whether the government should pay for the education of all children or just for the education of poor children. Fortunately, the advocates of universal free public education won that debate.

The architects of the landmark 1935 Social Security Act, which created both social insurance and welfare programs, envisioned the latter as minor programs. The Old Age Assistance program was expected to wither away once the Old Age Insurance program matured. Similarly the Aid to Dependent Children program was expected to wither away once a Survivors' Insurance Program was enacted and matured. The overwhelming majority of those aided by ADC were then children of widows. No one envisioned the explosion in divorce, separation, and out-of-wedlock births that converted ADC from an uncontroversial program to the focal point of welfare reform debates in the 1960s and 1980s. In short, FDR and his advisors were saddened by the great numbers of people dependent on welfare, created new institutions to reduce welfare rolls, and never considered and indeed undoubtedly would have been horrified by the idea of expanding the role of welfare to supplement the earnings of low-income workers.

Despite this long-standing American preference for minimizing the role of welfare, and despite evidence that Presidents Kennedy and Johnson shared FDR's desire to reduce welfare rolls, one of the legacies of the War on Poverty is that welfare programs now play a very big role in the lives of millions and millions of Americans. Nearly half the children in female-headed families receive AFDC benefits.⁹ Nearly one in eleven Americans receives Food Stamps. Something has gone wrong.

President Reagan believes welfare programs should not be used to supplement incomes. Rather they should provide a safety net of last

resort. As I have demonstrated, this position is not a right-wing aberration. The traditional American conception of welfare is that it should provide aid to the few who cannot make it on their own and it should restore to independence, as rapidly as possible, those who become dependent on welfare. The idea that welfare should be expanded to supplement the incomes of all low-income Americans is the aberration. How many liberals and conservatives alike came to embrace this aberrant idea is an interesting chapter in American intellectual history which I will not pursue today.

Throughout the political spectrum there is a consensus to reduce welfare rolls. The issue is now to do so: by reducing benefits or by providing superior alternatives. In my judgment, the first priority of social welfare reform in America should be to reduce welfare rolls by improving upon old and inventing new institutions that reduce the numbers of people who need welfare.

CASH OR IN-KIND BENEFITS?

The third policy issue is whether to provide cash or in-kind benefits. The self-reliance of the poor is in general maximized by aiding them with cash rather than in-kind benefits because cash benefits increase freedom of choice. In-kind benefits on the other hand 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.

Particular manifestations of poverty, such as hunger and malnutrition, generally evoke more compassion than poverty and low income per se. When this extra compassion is combined with (1) support for particular

in-kind programs from producer groups like farmers for food stamps and (2) lack of confidence in the judgment of the poor on the part of some voters, the political support for in-kind programs can be expected to exceed that for cash programs. Thus compassion may lead one to support in-kind transfers.

Finally, the self-interest of the nonpoor may lead them to favor in-kind over cash transfers. Education and public health are classic examples. We all benefit from an educated citizenry. Stamping out infectious disease among the poor reduces the chance that the nonpoor will be afflicted. I have already noted how the self-interest of producers or suppliers of services may lead them to favor particular in-kind transfers. On the other hand, because in-kind transfers will generally be more expensive to administer than cash benefits, it will be in the self-interest of both average poor and the nonpoor people to support cash rather than some particular in-kind transfers. For example, the costs of printing, distributing, collecting, and redeeming food stamps would be eliminated if the benefits were provided in cash. The savings could be split between higher benefits and lower taxes, thereby benefiting both the poor and nonpoor.

Ultimately, whether to provide cash or in-kind benefits depends upon the particular in-kind benefit being considered. The case for education is the strongest. Compassion, self-interest, and even self-reliance all point in the same direction. The children of the poor generally evoke more compassion than their parents because, whatever one thinks about the moral responsibility of adults for their own poverty, poor children are considered blameless for their state. The education of poor children is also an investment that brings returns to all members of the community.

Finally, although providing free public education rather than a cash transfer may not promote the self-reliance of the adults of the first generation, concern about the self-reliance of the next generation also clearly points to the desirability of subsidizing education.

The case for providing health benefits rather than cash is also solid. Compassion for the ill is strong. Insofar as health is essential to earning a living, health care promotes self-reliance. Furthermore, health needs are irregular. Most people have modest health needs while some have very large ones. If a cash payment were made to all of the poor sufficient to take care of the average medical need of the poor, some money would be wasted at the same time that some needs would be unmet. Finally, note that the irregularity of health needs is a problem for most of the nonpoor as well as the poor. As a consequence the nonpoor want insurance against the risk of having large medical bills. It can therefore be in the interest of the nonpoor as well as the poor for the government to provide either health services or health insurance to all citizens.

The case for providing food stamps rather than cash is very weak. Food Stamps is a federal program which provides a nationwide minimum income to all individuals and families paid in a special currency that stigmatizes beneficiaries even more than would a cash welfare program. Food stamp beneficiaries are reminded of their welfare status and call it to the attention of others each time they spend the stamps. Some supermarkets even require those with stamps to use separate check-out lines. Neither the self-reliance of the poor nor the self-interest of the nonpoor is promoted by Food Stamps. Every research study I have seen indicates that the additional amount of food bought by beneficiaries

as a result of providing the aid in food stamps rather than cash is minuscule. Most beneficiaries spend more on food than the food stamps they get. Sooner or later, farm groups will find out about this research. Meanwhile, the rest of us pay more to administer this program than is necessary. Even more important, the moral costs to beneficiaries and the rest of us of using food stamps rather than cash is high.

How have we resolved this issue of whether to provide cash or in-kind benefits in our past? First, we have always had some combination, and the balance has shifted over time. From the advent of free public education until the 1935 Social Security Act, in-kind provision in the form of free public education dominated. Since then cash benefits began playing an increasingly important role. In large part this is because, though the architects of the Social Security Act and FDR favored a national health insurance program, the President did not include it in his social security proposal to Congress for fear of attracting the opposition of doctors to the entire bill. The enactment of Medicare and Medicaid, and to a much lesser extent Food Stamps, in the aftermath of Johnson's declaration of a War on Poverty, began shifting the balance towards in-kind again. Still, as of 1981 we provided slightly more cash than in-kind benefits.

My own views about where we should go with respect to cash vs. in-kind benefits can be summarized quickly. In my judgment we did the best possible thing in beginning our welfare state with education. Similarly, we were wise to add cash benefits. But the omission of public provision of personal health services is a mistake which we should correct. Universal health service or universal health insurance would not only increase the self-reliance of the poor, especially of poor female heads

of households, but it would also enable us to slow down the growth in health care costs.

Lastly, the Food Stamp program is a blight on our record. Such a program is unworthy of a great nation. Consideration for the self-respect of the poor and the dignity of us all suggests the country, at the very least, should adopt the proposal of former Presidents Nixon and Carter to replace food stamps with cash. I believe we should go beyond merely cashing out food stamps to replacing them with a small universal cash allowance for all American children and adults.

Lest you think this proposal is too radical to even be considered, I hasten to note that both David Stockman, the current director of OMB, and George Gilder, the intellectual guru of the Reagan Administration, both favor a children's allowance. Senator Moynihan also used to and still may favor a children's allowance.

CHILD SUPPORT INSURANCE

The rest of my comments will be devoted to discussing in more detail the specifics of one particular proposal for the creation of a new universal program--child support insurance--which will reduce welfare rolls.

I focus on the proposal for a child support insurance program because it is designed to help the largest group of the poor--female-headed families. Five years ago I also chose to devote most of my research and reform efforts to pursuit of a child support insurance program because I believed it was the most politically attractive part of a more general strategy for reforming our income transfer system. The general strategy is to enact new universal programs to reduce reliance on welfare. For

the same reason I lead with child support today. I anticipate that you will find the proposal for a child support insurance system at worst credible and at best exciting. And I hope it will entice you to explore in more depth both the rationale for and the details of other pieces of the more general strategy.

Child support is the transfer of income to a child who has a living natural parent who is not residing with the child. The transfer may come from or be financed by the noncustodial parent of the child or the government. Compassion compels us to seek ways to increase the incomes of children potentially eligible for child support. About one-third of these children live in female-headed households. Half of these children are poor. Self-interest drives us in the same direction. For nearly one of two children born today will live in a female-headed family.¹⁰ Surely one-half is a large enough fraction of the next generation to warrant the statement that the quality of our child support institutions is of great concern to the nation as a whole.

We have already discussed how our heavy reliance on welfare programs to aid female heads of families reduces their self-reliance. Here I add that if independence and self-reliance are virtues we want to inculcate in the next generation, we had better promote it amongst the mothers who will raise one-half of the next generation. For there is no better teacher than example.

The current child support system presents problems for people in all income classes. The current child support system condones (and therefore fosters) parental irresponsibility. In 1979, of women with children potentially eligible for support, only 59 percent were awarded payments.¹¹ For divorced and remarried women, nearly 80 percent had

awards, while among separated and never-married women, the figures were 45 percent and 11 percent respectively. Of those awarded support, only 49 percent received the full amount due them, and 28 percent received nothing. In all, more than half of those eligible for child support get nothing. The problem of parental irresponsibility extends well beyond the poor.

The child support system is rife from top to bottom with inequity and exacerbates tensions between former spouses. Whether the absent parent is ordered to pay support, how much he is ordered to pay, and how much effort is devoted to forcing him to pay, depends not just on his ability to pay but also on the varying attitudes of judges, attorneys, and welfare officials, as well as the skill of the parent's lawyer. Child support is a major source of tension between former spouses, and no wonder: Nearly every absent parent can point to someone who earns more than he does but pays less; nearly every custodial parent knows someone who is receiving more from an absent father who earns less.

The failure of the system to ensure that absent parents pay child support impoverishes children and shifts the burden of their support to the public sector. Nearly half of all children living in female-headed households are on welfare. And because they have little education and experience, and would have child-care expenses if they did work, a large proportion of women on AFDC could not earn enough to lift their family from poverty even if they worked full-time. The only way I've figured out to simultaneously increase their incomes and promote their independence is to aid them through a universal program that serves all children potentially eligible for child support.

That's exactly what a child support insurance system is. Under it all parents who live apart from their children would be liable for a child support tax, which would be levied on their gross income. The rate would be proportional according to the number of children owed support-- for example, 15 percent for one child, 25 percent for two children, 30 percent for three or more. The tax would be collected through paycheck withholding, as social security and income taxes are.

All children with a living absent parent would be entitled to benefits equal to either the child-support tax paid by the absent parent or a minimum benefit, whichever is higher. Should the absent parent pay less than the minimum, the difference would be financed out of general revenues, and the custodial parent would be subject to a small surtax up to the amount of the public subsidy.

A child support insurance program has appeal for both conservatives and liberals: It would further compassion by improving the economic status of poor children. It will increase the independence of female heads of households by providing them with a secure source of income that will supplement rather than replace their earnings. It will further the self-interest of the country as a whole by insuring a higher standard of living and more examples of self-reliance and independence for nearly half of the next generation. And it will also reinforce parental responsibility. Furthermore, preliminary studies suggest that such a program might actually save money. Note that a child support insurance program can be adopted either in a state or the nation as a whole.

My historical comments on child support insurance focus on the very recent past and will be very brief. The first federal child support legislation was in 1950. It was concerned solely with children on

welfare. The first significant piece of legislation was in 1975, when all state welfare programs were required to establish separate child support agencies. A few months ago the House of Representatives passed the strongest federal child support legislation to date by a vote of 422 to 0. The House bill takes several large steps in the direction of a social child support program. The bill contains provisions which require all states as a condition of receiving federal AFDC funds to (1) initiate a process to withhold child support from the wages of absent parents who are delinquent in their child support payments for one month; (2) appoint a blue ribbon commission to devise, by July 1986, statewide standards for child support. The bill also contains a provision which directs the Secretary of the federal Department of Health and Human Services to allow the state of Wisconsin to spend federal funds that would otherwise have been spent on AFDC to help finance a minimum child support benefit in a demonstration to be conducted in up to 10 counties of a new child support insurance system.

It now appears certain that a bill at least as strong as the House version will emerge and be signed by the President.

The State of Wisconsin has already gone much further. We are experimenting with universal wage withholding in nine counties. The state law now contains a provision which allows judges to use a "percentage of income child support standard" published by the state's Department of Health and Social Services. The percentages are 17 percent for one child and 25, 29, 31, and 34 percent for 2, 3, 4, and 5 or more children. Nearly half of the judges in the state are now using the standard in some way. Intensive planning for implementation of the

demonstration of the benefit side of the child support insurance program has just begun.

Where are we likely to go from here and where would I like to see us go? I can answer that in one short sentence by quoting from one of my two favorite speeches, Lincoln's second inaugural address: "With high hope for the future no prediction in regard to it is ventured."

Notes

¹Hillel, Chapters of the Fathers, 1. 14.

²See Stanley Masters and Irwin Garfinkel, Estimating the Labor Supply Effects of Income-Maintenance Alternatives (New York: Academic Press, 1977).

³World Bank, "Education," Sector Working Paper, World Bank, Washington, D.C., 1974.

⁴Timothy Smeeding, "Alternative Methods for Valuing Selected In-Kind Transfer Benefits and Measuring Their Effects on Poverty," Technical Paper #50, U.S. Department of Commerce, Bureau of the Census, Washington, D.C., March 1982.

⁵For a fuller discussion of this issue, see Irwin Garfinkel, ed., Income-Tested Transfer Programs: The Case For and Against (New York: Academic Press, 1982).

⁶Ibid., p. 6.

⁷Author's computer run, 1977 Current Population Survey data, indicated about 31 percent of those reporting AFDC benefits worked at some time during the year. This is clearly an underestimate because AFDC is underreported by about 25 percent. It is more likely that those not reporting are working.

⁸Maurice MacDonald, Food, Stamps, and Income Maintenance (New York: Academic Press, 1977); and Jennifer Warlick, "Participation of the Aged in SSI," Journal of Human Resources, 17 (1982), 236-260.

⁹Sheldon Danziger, "Children in Poverty: The Truly Needy Who Fall through the Safety Net," IRP Discussion Paper no. 680-81, University of Wisconsin, Madison, p. 17.

¹⁰Daniel Patrick Moynihan, "Welfare Reform's 1971-72 Defeat, A Historic Loss," Journal for the Institute of Socioeconomic Studies (Spring 1981), pp. 1-20.

¹¹Department of Commerce, Bureau of the Census, Child Support and Alimony: 1978, Current Population Reports Special Studies Series P-23 No. 106 (Washington, D.C.: U.S. Government Printing Office).