Welfare Reform that Makes Poor Kids Poorer Will Never Pay Off

Brad DeLong and David Levine

Both the Senate and the House have now passed welfare reform bills. A conference committee will now combine the two versions and send the result to President Clinton. The smart money is betting that he will sign it: for what political advisor would dare recommend that anyone run in 1996 as the defender of the current welfare system against "reform"? The core of the Democratic Party is declaring "victory" and going home. In Minority Leader Daschle's words: "We've taken a terrible piece of legislation and made it a reasonable piece of legislation."

So it's time to begin thinking what this "welfare reform" will mean for America. The rhetoric of reform focuses on providing states flexibility so that they, in turn, can provide incentives to move people from welfare to work. Unfortunately, these bills reduce states' ability to provide needed incentives. To see this, consider how this country will be different in ten years if current versions pass.

First, the federal government will be spending less--a lot less--on America's poor children. Because of inflation and growth of the nation's poor population, both bills imply that in ten years the federal government will provide each poor child with about forty percent less than today.

Second, state governments will be spending less--a lot less--on America's poor children. Currently, the largest cash welfare program, Aid to Families with Dependent Children, is a partnership between the state and federal governments. The federal government matches each state's contributions to help its poorest families. In relatively rich states like New York or California, one dollar is added to federal welfare spending for each dollar a state spends. In relatively poor states like Mississippi, five dollars are added in federal welfare spending for each dollar a state spends.

This federal matching money means that states now pay between twenty and 50 cents for each dollar of welfare spending. The current reform proposals eliminate this match, increasing the cost a governor sees for helping poor people by between 100 and 500 percent. The premise of welfare reform is that incentives matter; for better or worse, they matter for governors as much as for welfare recipients.

The Senate bill, but not the House, requires that states cut their inflation-adjusted spending by no more than a third or so over the next five years. That many governors have opposed even this restriction indicates the magnitude of the cuts they envision.

Today the poor make up a large chunk of our children--almost one in four. In twenty years today's poor children will have become a large chunk of our working population (or prison and welfare populations). Making poor childrens' lives much harder over the next five years will make them less productive citizens in 2015--and will make the rest of our lives much harder in 2015 as well.

A number of programs help poor children stay in school and out of jail, and, thus, keep them and their families off welfare. For example, the Quantum Opportunities Program provides an array of after©school, tutoring, mentoring and summer programs in a number of cities, and has been shown to reduce dropouts and teen pregnancy. The Center for Employment and Training in San Jose has a record of giving dropouts a second chance and moving them into good jobs. Slash-and-burn elimination of funding will require such programs to shrink, even though both save taxpayers money over the long run. True reform involves giving states incentives to increase these and similar high-payoff investments in our nation's children.

"But," you hear advocates of the current welfare reform process saying, "slash-and-burn welfare reform is hard but necessary; we must end our dependency-generating welfare system. The end of welfare as we know it will stop children from having children, will greatly reduce births out of wedlock, and stop dads from abandoning their families."

Don't bet on it. The major cause of child poverty in America is not the result of our safety net providing aid to poor children. It is the breakdown of the two-parent family. If children today were as likely to live in two-parent families as they were in 1959, only one in eight families with children would be poor, instead of the almost one in four who are poor today. Since 1959, the increase in single©parent families has undone almost all of the reduction in poverty that economic growth should have given us.

And the breakdown of the two parent family is due to broader forces than the existence of a safety net to aid poor children. Unfortunately, for all segments of society, divorce and single- parent families have become vastly more common, including segments (such as Republican Congressional leaders Bob Dole and Newt Gingrich) whose families are unlikely to end up on welfare.

This year's welfare reform debate has seen American politics at its worst. Everyone agrees we need true welfare reform that gives states flexibility from federal micromanagement. At the same time, flexibility must be accompanied by accountability and incentives--not just for welfare recipients, but also for states--to invest in our children and to move families from dependence to independence.

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Also see Daniel Patrick Moynihan's welfare reform speech in the Senate.

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