

TURNING OUR BACKS ON THE NEW DEAL:  
THE END OF WELFARE IN 1996

by

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President Clinton campaigned on a platform “to make work pay” and to “end welfare as we know it.” In *Putting People First* (1992) he declared,

It's time to honor and reward people who work hard and play by the rules. That means ending welfare as we know it — not by punishing the poor or preaching to them, but by empowering Americans to take care of their children and improve their lives. No one who works full-time and has children at home should be poor anymore. No one who can work should be able to stay on welfare forever.

Shortly after taking office, President Clinton created a high-level, interagency Welfare Reform Task Force to translate the

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campaign rhetoric into draft legislation. The Task Force sought to craft a reform of the program that most people know as “welfare” — Aid to Families with Dependent Children (“AFDC”) — that would resonate with “the basic American values of work, family, responsibility, and opportunity.”<sup>2</sup>

Despite the campaign rhetoric and an active task force, the first two years of the Clinton Administration ended without either House of Congress giving sustained committee consideration to any welfare reform bill. President Clinton’s priorities were elsewhere (deficit reduction in 1993 and universal health coverage in 1994); while the task force did ultimately submit draft legislation to Congress during the summer of 1994, it came too late in the 103<sup>rd</sup> Congress to receive much attention.<sup>3</sup>

In 1995, however, the new Republican Congressional majority placed welfare reform at the center of its Contract with America. After a year of heated legislative activity, Congress sent to the President’s desk the Personal Responsibility and Work Opportunity Act of 1995,<sup>4</sup> which President Clinton promptly vetoed. Negotiations between the President and Congress continued through the presidential campaign of 1996, however, and during the summer of 1996 President Clinton agreed to sign a new bill, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (“PRWORA”).<sup>5</sup> PRWORA totally

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<sup>2</sup> Los Angeles Times, 1/17/94.

<sup>3</sup> The Work and Responsibility Act of 1994, H.R. 4605, 103<sup>rd</sup> Cong., 2d Sess.

<sup>4</sup> The Personal Responsibility and Work Opportunity Act of 1995, H.R. 4, 104<sup>th</sup> Cong., 1<sup>st</sup> Sess.

<sup>5</sup> The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, H.R. 3734, 104<sup>th</sup> Cong., 2<sup>nd</sup> Sess.

abolished AFDC, replacing it with a system of block grants to state governments.

Why didn't President Clinton veto PRWORA? The President's explanation is that he was keeping his 1992 campaign promise: he had offered alternative ways to keep that promise, to no avail, and now the only way for him to avoid breaking his promise was to sign a law that he described as "flawed."

Promise-keeping is, of course, a virtue. But President Clinton's "promise," as embodied in the quotation cited, surely should not have been understood to mean that he would sign anything that ended welfare. We interpret his promise instead to have had two components: (a) that he would, in good faith, submit his own legislative proposal to end welfare, and (b) that he would not veto legislation ending welfare as long as the legislation passed a minimalist test of public policy — namely, that, even if flawed, the legislation constituted an improvement over the status quo.

Does PRWORA pass this minimal, incrementalist test? Is it likely to produce a better safety net and a better society than the one that existed when the President signed the law? We think not.

There were numerous ways to end welfare as we knew it. Many would have improved our welfare state, which was surely in need of repair. But we cannot view PRWORA as an improvement. We believe that, by signing it, the President broke the *other* promise quoted above — that welfare would be ended "not by punishing the poor or preaching to them, but by empowering Americans to take care of their children and improve their lives."

In this chapter, we offer a structure for analyzing President Clinton's decision to sign PRWORA. We explain how it was possible to have used the most recent round of welfare reform as an opportunity to recalibrate the balance among some critical societal values. We argue that it was possible to replace welfare

with a programmatic environment better suited to promoting the Task Force values of work, family, responsibility, and opportunity.

It was possible, but that is not what happened. PRWORA chose not to empower the poor, but rather to disidentify with their life circumstances. Rather than moving from a cash safety net to a work-based net, it chose to eliminate any nationwide net at all. It marked a radical departure from a half century's efforts to build cross-class social solidarity by expanding opportunity for all.

In the next section, we briefly describe how welfare operated in 1996. We then summarize the changes brought about by PRWORA. We then describe the economic context of welfare reform and present some empirical evidence on how welfare recipients are likely to fare in the labor market. The two subsequent sections focus on the four values identified by the Task Force — first work and opportunity, then family and responsibility. We consider how those values were expressed under AFDC and how they have been reconceptualized under PRWORA. The final section presents our views of what it would have taken for welfare reform in 1996 to have been consistent with our understanding of President Clinton's 1992 campaign rhetoric.

#### WELFARE AS WE KNEW IT

Aid to Families with Dependent Children was an income support program that responded to immediate financial hardship. It embodied a commitment to support a subgroup of the poor that was, at one time, thought blameless: low-income families with young children and a missing or financially incapacitated breadwinner. To qualify for benefits, a family had to show that it had virtually no assets, that it had very low income (each state set its own eligibility ceiling), and that a child in the family was deprived of at least one parent's support because the parent was (a) not living with the child, (b) incapacitated, or (c) a recently unemployed primary breadwinner.

AFDC was primarily a program for single mothers and their children. A few single fathers participated, and a somewhat larger number of two-parent families satisfied the more stringent requirements for two-parent eligibility. But among the roughly 5 million families who received AFDC benefits in a typical month in fiscal year 1993, about 90 percent were fatherless.<sup>6</sup>

AFDC had two aspects: a safety net aspect and a transitional aspect. For eligible families, AFDC ensured a meager, but potentially vital, safety net. In 1994, a nonworking welfare mother with two children and no earnings received \$366 in cash and \$295 in Food Stamps in the median state, or about 69 percent of the poverty line. Importantly, AFDC recipients qualified for family health insurance in the form of Medicaid.

The transitional aspect of AFDC was embodied in JOBS, the Job Opportunities and Basic Skills Training program created by the 1988 Family Support Act. Putting to one side special state options and some special requirements imposed on teenage high school dropouts, AFDC was a program of three-years-per-child-and-then-participate-if-you-can. Once the mother's youngest child reached age 3, she was required to participate for up to 20 hours per week in JOBS. Once that child reached age 6, she could have been required to participate for up to 40 hours per week.

Participating in JOBS meant agreeing to a reasonable "employability plan" the state devised, as long as the state provided for child care, transportation, and other work-related expenses. However, if the state did not appropriate sufficient funds

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<sup>6</sup> House Ways and Means Committee, 1994, WMCP 103-37, Table 31, pp. 325, 401-402. The 90% of families without a father subdivided as follows: in about 37% of cases a marriage was disrupted by death, divorce, or separation; in the other 53% the parents were never married. *Id.* at 401. In 1992, 39% of AFDC parents were white, 37% were black, 18% were Latino, 3% were Asian, 1% were Native Americans, and the remainder were of unknown race. *Id.* at 402.

to provide a JOBS slot (and many states did not), the recipient was not punished for the state's failure. Any recipient who complied with legitimately-imposed JOBS requirements continued to receive a welfare check. Any recipient who failed to comply, without good cause, could have been sanctioned by having her monthly grant reduced to reflect a family with one fewer person. In 1995, each state was expected to provide JOBS slots for at least 20 percent of non-exempt participants or face the prospect of losing some federal funds.

This transitional aspect of AFDC imposed no time limits on its safety-net aspect. Recipients could enter AFDC, enroll in JOBS, find a job, lose that job, return to the rolls, and re-enroll in JOBS. For most recipients, the program was not such an attractive alternative that they chose to make it a "way of life": half of all families that began a welfare spell left the rolls within one or two years.<sup>7</sup> Despite its flaws, however, the JOBS component of AFDC clearly embodied a commitment to mutual responsibility: recipients were expected to take advantage of training and work opportunities provided by the government.

#### WELFARE AS WE HAVE COME TO KNOW IT

PRWORA begins by doing away with the entitlement to cash assistance. As of October 1, 1996, AFDC was replaced by the Temporary Assistance for Needy Families (TANF) block grant. Each state can now decide which categories of children are eligible for assistance and which are not, subject only to a requirement that families receive "fair and equitable treatment."

Next, PRWORA significantly reduces the total amount of money that the current system requires from the federal and state

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<sup>7</sup> Some of those who entered AFDC left after one or two years, but then returned to welfare later. As a result, about 70% of those who began a first welfare spell received benefits for more than two years during their lifetime. *Id.* at 440.

governments in support of poor children. The federal contribution to each state is essentially capped at its 1994 level of federal welfare payments.<sup>8</sup> Increased costs associated with population growth or economic downturns will be borne by the states, or else by the poor. Moreover, whereas states had to create and fund an entitlement to AFDC benefits within federal guidelines in order to receive matching funds from the federal government, PRWORA requires only that they continue to expend 75% of their 1994 level of expenditures on AFDC, JOBS, child care, and Emergency Assistance. These figures are not adjusted for future inflation or demographic or economic changes. Any state could, for example, impose an immediate 25 percent cut in cash payments to welfare recipients without any loss of federal funds, and it could freeze expenditures at 75 percent of the 1994 level for the foreseeable future.<sup>9</sup>

To be sure, some states that have both the funds and the political will may choose on their own to go beyond the minimum and to provide a broader and more supportive safety net than existed before. Each state can pursue whatever kind of reform it chooses, including the mutual responsibility reforms we outline below. In practice, however, it is unlikely that any state will

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<sup>8</sup> PRWORA also establishes special funds to provide supplemental grants to states with relatively low benefit levels or experiencing substantial population growth or high unemployment. But those funds give appropriations far below the level that would have been spent under AFDC in responses to changes in population, the poverty rate, and unemployment levels.

PRWORA also creates “performance bonuses” for states that experience declines in the proportion of out-of-wedlock births without attendant increases in abortions.

<sup>9</sup> PRWORA was implemented during a robust economic expansion. As a result, states did not cut back cash benefits in the period from 1996-2000. States did reduce the amount of their own funds devoted to cash assistance, as caseloads fell dramatically after 1996. Gallagher et al., “One Year After Federal Welfare Reform” (May 1998).

provide an entitlement to cash assistance or an entitlement to a “workfare” position. In our mobile society, income redistribution tends to take place at the federal level or not at all.<sup>10</sup>

PRWORA not only eliminates the entitlement to cash assistance, it simultaneously *toughens* the conditions on participation. Programs funded by the federal block grant and the state maintenance-of-effort funds may not provide more than a cumulative lifetime total of 60 months of cash assistance to any welfare recipient no matter how willing she might be to work for her benefits. States have the option to grant exceptions to the lifetime limit to up to 20 percent of their caseload. In 1994, however, about half of recipient children lived in families that had received benefits for more than 60 months. As we explain below, these recipients are likely to have great difficulty supporting their families on their labor market income alone.

PRWORA also adds new conditions concerning parental participation in work programs during the months in which the family may receive benefits. Single-parent welfare recipients with no children under age one will have to work at least 20 hours per week, rising to 30 hours per week by FY 2002 for families without children under 6 years old, in exchange for welfare. This provision is phased in, rising from the current level (estimated, due to

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<sup>10</sup> Howard Chernick and Andrew Reschovsky (“State Responses to Block Grants: Will the Social Safety Net Survive?” Focus, Madison, WI: Institute for Research on Poverty, Vol. 18, pp. 25-29) drawing on econometric evidence, estimate that California will reduce its own spending dramatically under a block grant and that total federal and state welfare spending in 2002 would be 28 to 38 percent lower than 1994 spending (inflation adjusted). See also Howard Chernick and Therese J. McGuire, “The States, Welfare Reform, and the Business Cycle,” pp. 275-303 in Sheldon H. Danziger ed., Economic Conditions and Welfare Reform (Kalamazoo, MI: Upjohn Institute for Employment Research, 1999).

exemptions under current law, to be less than 10% of the total caseload) up to 50% of the total caseload in fiscal year 2002.<sup>11</sup>

## THE ECONOMIC CONTEXT OF WELFARE REFORM

It might be tempting to explain PRWORA as a simple policy response to empirical evidence. After all, the early expectations of AFDC were that it would “wither away” as the economy strengthened. It was hoped that ultimately the economy would be strong enough that AFDC would be unnecessary — the private market’s demand for labor would be so strong that no safety net would be needed.

In this section, we consider whether PRWORA can be justified in this manner. We look at descriptive evidence concerning the economy more generally. And we look at particularized data pertaining to welfare recipients. Neither set of evidence gives reason to believe that PRWORA was simply a natural step in the evolution of the economy.

In one sense, PRWORA could be seen as a predictable “next step.” For one of the most significant changes in America’s welfare programs over the prior two decades was the decline in the level of cash benefits they provide.<sup>12</sup> Throughout that period, inflation eroded the effective purchasing power of a welfare grant. Moreover, during the 1990’s, a number of states cut benefits in nominal terms. Thus, in the early 1990s in the median state, the combined AFDC and Food Stamp benefit was about 70 percent of

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<sup>11</sup> Individuals may not be sanctioned for failure to meet work requirements if their failure is based on the unavailability of child care for a child under age six.

<sup>12</sup> It should be noted that per capita expenditures on Medicaid and subsidized housing increased during this period. That growth does not appear to reflect increased spending per recipient; only expansion of the class of eligible recipients.

the poverty line for a nonworking mother with two children, down from about 85 percent in the mid-1970s.<sup>13</sup>

But the declining economic position of AFDC recipients did not correspond to a steady *improvement* in the quality of life of nonrecipients. Quite the contrary. The period from 1975 to 1995 was also characterized by economic distress for the middle class, the working poor, and the unemployed. There was relatively little economic growth over that generation, and the gains from growth were very uneven. In the two decades following World War II, “a rising tide lifted all boats” and most families gained — the poor as well as the rich, less-skilled workers as well as the most-skilled. After the early 1970s, however, a rising tide became an “uneven tide,” as the gaps in living standards widened between the most-skilled workers and the least-skilled workers.<sup>14</sup>

Economic hardship is now remarkably widespread. Popular portrayals of economic hardship tend to focus on inner-city poverty or single-mother families or displaced factory workers, and attribute poverty primarily to their behavior or lack of skills. But during the 1980’s, inequalities increased within most socioeconomic groups as well. While white-collar workers fared

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<sup>13</sup> In addition, a smaller percentage of poor children received welfare benefits in the 1980s and 1990s than in the 1970s. The ratio of children receiving AFDC benefits to the total number of poor children rose from about 20 percent in 1965 to about 80 percent in 1973 as a result of the program expansions set in motion by the War on Poverty and Great Society legislation. This ratio fell to about 50 percent in 1982 as the Reagan budgetary retrenchment went into effect, before rising to about 60 percent in 1991. House Ways and Means Committee, 1993, p. 688.

<sup>14</sup> See Sheldon Danziger and Peter Gottschalk, eds., *Uneven Tides: Inequality in America Rising* (New York: Russell Sage Foundation, 1993) and Sheldon Danziger and Peter Gottschalk, *America Unequal* (Cambridge, MA: Harvard University Press, 1995). The economy did boom in the late 1990’s, and income inequality stopped rising. However, income inequality remains very high and the real wages of workers remain below the levels of the 1970’s. See Sheldon Danziger and Deborah Reed, “The Era of Inequality Continues,” 17 *Brookings Review* No. 4, pp. 14-17, Fall 1999.

better on average than blue-collar workers, and married-couple families fared better on average than mother-only families, many white-collar workers and many workers in married-couple families were also laid off or experienced lower real earnings.

Not even the most educated groups were spared, so that a college degree no longer guarantees a high salary. In 1991, among 25-to-34 year old college graduates (without post-college degrees), 16 percent of men and 26 percent of women worked at some time during the year but earned less than the poverty line for a family of four persons.<sup>15</sup>

Because economic hardship is this extensive, one should have been suspicious of claims that welfare reform could transform most recipients into self-sufficient workers. The “welfare problem” was part of a broader “poverty problem,” which, in turn, was part of a broader economy-wide problem that resulted from two decades of slow economic growth and rising income inequality.

The primary source of this increased economic hardship has been a set of structural changes in the labor market. Less-educated workers have found it harder to secure employment, and those who are hired tend to receive low wages. Many factors moved the economy in the same direction. The decline in the percentage of the work force that was unionized, reductions in the percentage that works in manufacturing, increased global competition and the consequent expansion of the import and export sectors all lowered the wages of less-skilled workers. The automation which accompanied the introduction and widespread use of computers and other technological innovations also

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<sup>15</sup> In 1991, the poverty line for a family of four was \$13,924. College graduates do indeed fare much better than high school graduates. In 1991, 30 percent of male and 57 percent of female high school graduates earned less than \$13,924.

increased demand for skilled personnel who could run more sophisticated equipment. Simultaneously, there was a decline in the demand for less-skilled workers, who were either displaced by the automated systems or had to compete with overseas workers producing the rising imports.

One would expect these changes in the structure of the labor market to have important implications for the labor market prospects of welfare recipients. Because most former welfare recipients have limited education and labor market experience, the economy offers them diminished prospects even when unemployment rates are low. The shift in the skill mix required in today's economy means that, even if an employer extends a job offer to a former welfare recipient with low skills and experience, one would predict that the employer would not be willing to pay very much.

To test those predictions, we chose to analyze a set of generally available census data. We began with the Public Use Microdata Sample from the 1990 Census of Population and drew a sample of single mothers between the ages of 18 and 45 who resided in the 77 largest metropolitan areas.<sup>16</sup> (For these purposes, "single mothers" are defined as women who had at least one child under the age of 18 living with them and who did not have a husband residing in the same household.)

Compared to the average single mother who did not receive welfare, the typical welfare recipient had less education, was younger, had more children and was more likely to be never married. For example, about one-quarter of nonrecipients, but half of recipients, were never-married; about one-fifth of nonrecipients, but more than two-fifths of recipients, lacked a high school degree;

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<sup>16</sup> Each of these 77 metropolitan areas had a sample of at least one hundred single mothers in the 1% Census data file.

about one-sixth of nonrecipients, but one-quarter of recipients were below 25 years of age; about one-sixth of all nonrecipients, but one-third of recipients, had three or more children.

All of these observed characteristics suggest that welfare recipients, *ceteris paribus*, were likely to have lower expected earnings capacities than nonrecipients. Regression analysis confirms this suggestion.

We first considered only those single mothers who did not receive welfare but who reported earnings during 1989. We regressed the natural logarithm of their annual earnings on a set of demographic characteristics. For each model we estimated separate regressions for single mothers who were white nonhispanic, black nonhispanic, Hispanic, or other nonhispanic.<sup>17</sup> We then used the resulting set of regression coefficients to estimate how much each welfare recipient would have earned if she earned what observationally-identical working single mothers earned.

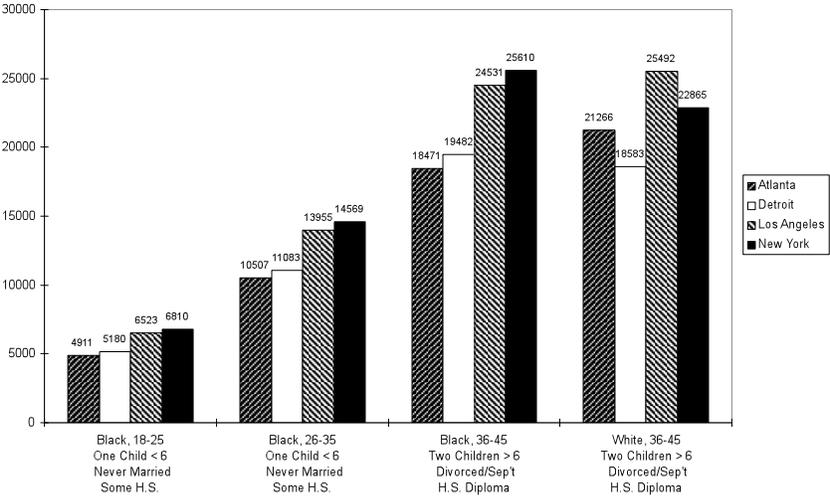
Next, we estimated a second model in which the dependent variable was the probability that the single mother earned less than the poverty line for a family of three persons (\$9,885 in 1989). The sample for this model included all 21,756 single mothers who did not report any welfare income — 2696 who reported no earnings and 19,060 who reported earnings in 1989. Thus, this

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<sup>17</sup> The regressions included these variables: whether or not the single mother resided in the central city; a dummy variable for her specific SMSA; two dummy variables indicating her age cohort (18 to 25 or 26 to 35, with 36 to 45 the omitted category); whether or not she was born outside of the U.S. to noncitizen parents; four educational dummies (0-8 years of schooling, the omitted category; 9-11; 12; 13-15; and 16 or more years of schooling); two marital status dummies (never married is the omitted category; divorced or separated; widowed); three number-of-children variables (one child is the omitted category; dummies for 2, 3, and 4 or more children); whether or not she had a child under the age of 6; and three disability variables (no disability is the omitted category; disability had limited previous work; disability limited current work effort; disability did not limit work, but limited ability to care for self).

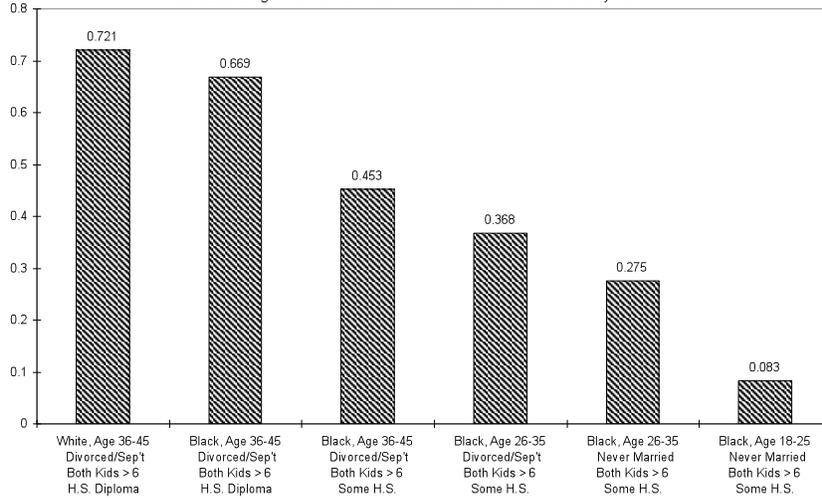
model reflects both the probability that a single mother worked as well as her annual earnings. We then used the second set of regression coefficients to estimate for each welfare recipient the predicted probability that she could earn more than the poverty line for a family of three.

**FIGURE 1:**  
**Predicted Annual Earnings for Selected Welfare Mothers**  
 (all are assumed U.S.-born living in Central City with no disabilities)



Examples of our estimates for welfare recipients with specific demographic characteristics are presented in Figures 1 and 2, for mean annual earnings and the probability of earning more than the poverty line, respectively. These estimates probably *overstate* the potential earnings of recipients because they might, for unobservable reasons, have worked fewer hours or have earned a lower hourly wage than observationally-identical working single mothers. For example, consider two never-married single mothers with two children, neither of whom is a high school graduate. If one worked because she was more motivated or more skilled than the other who received welfare, then our estimates, which do not account for motivational or skill differences other than years of completed schooling, will be too high.

**FIGURE 2:**  
**Probability of Earning More Than the Poverty Line for a Family of 3**  
 Selected Single Mother Families with Two Children in Central City Detoro



Nonetheless, our results, even if biased upwards, suggest that former welfare recipients will have great difficulty in the labor market. Whereas the average earnings for working single women was \$18,215 in 1989, our model predicts that the average recipient could have earned only about \$13,000. Even more importantly, as Figure 1 shows, there is a wide variation in predicted earnings, depending on the characteristics of the welfare mother. The graph presents predicted earnings for native-born welfare mothers with no disabilities who resided in the central cities of Atlanta, Detroit, Los Angeles and New York. The lowest earners, shown in the left-most part of the Figure (with predicted earnings below \$7,000) were black, young, never married women who had not completed high school. As we proceed to the right, predicted earnings were higher for women between the ages of 26 and 35 than they are for those between the ages of 18 and 25, and higher for high school graduates than for high school dropouts. Race differences were smaller — in Atlanta and Los Angeles, white women had higher predicted earnings, but in Detroit and New York they had lower predicted earnings.

The second regression predicts that only 41.5 percent of the welfare mothers could have earned more than the poverty line for a family of three in 1989, compared to 64.3 percent of the nonrecipient single mothers who earned that much. Figure 2 shows wide variation in the probability that a native-born, nondisabled welfare mother living with two children in the central city of Detroit would earn more than \$9,885 as we varied her race, education, age, and marital status. For example, at the left of the graph, 72.1 percent of divorced or separated white women between the ages of 36 and 45 who were high school graduates with two children over the age of six are predicted to earn more than the poverty line. Each of the subsequent bars varies one characteristic, yielding a race effect of 5.2 percentage points, a high school diploma effect of 21.6 points, a “middle age” effect of 8.5 points, a marital status effect of 9.3 points, and a “young age” effect of 19.2 points. Thus, only 8 percent of black, never married mothers who were between the ages of 18 and 25 and lacked a high school diploma are predicted to have been able to earn enough to avoid poverty.

This evidence suggests that it is simply not the case that most former welfare recipients can obtain stable employment and work enough during the year to lift them and their children out of poverty.<sup>18</sup> Fear of destitution is a powerful incentive to survive; it will not, however, guarantee that an unskilled worker who actively seeks work will be able to earn enough to support her family. Changes in welfare mothers’ economic incentives to search for work can increase the extent of labor force participation, but they

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<sup>18</sup> See also Judith M. Gueron and Edward Pauly, *From Welfare to Work* (New York: Russell Sage Foundation, 1991), documenting the difficulty that welfare program participants have in maintaining stable employment after the programs end.

are unlikely to make a large difference in their actual earnings unless they are accompanied by expanded opportunities.<sup>19</sup>

Consequently, PRWORA can *not* be understood as a natural policy response to empirical data. In the absence of a fundamental shift in our society's norms and values, the data would have framed the policy debates differently. Two policy options would have been at the center of debate. Should we have continued to support some families *outside* the paid workforce? Or should we have set out to create a work-based safety net for those families?

Yet PRWORA debates were ultimately not framed in that manner. Moreover, President Clinton ultimately signed a bill that eliminated cash support for families without creating a work-based safety net in its place. PRWORA marked a shift in the nation's expression of certain fundamental values through its welfare state; in the next two sections, we attempt to understand and criticize the basis for that shift.

## TWO FUNDAMENTAL VALUES: WORK AND OPPORTUNITY

As we noted at the beginning of this chapter, President Clinton's Welfare Reform Task Force cast its work in terms of fundamental societal values: the core values of "work, family, responsibility, and opportunity." Indeed, welfare reform debates have always been, at least implicitly, about such fundamental societal values. Ever since AFDC was created by the Social Security Act of 1935, each generation has changed the program to

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<sup>19</sup> In the aftermath of PRWORA, caseloads have declined dramatically and the percentage of current and former welfare recipients who are employed has increased substantially. However, most of them remain poor. See Sheldon Danziger, "Approaching the Limit: Early Lessons of Welfare Reform," <http://www.ssw.umich.edu/poverty/ruraldanziger.pdf>, University of Michigan, 2000.

reestablish its understanding of what is required to respect those values while providing cash assistance for the “truly needy.” Each round of statutory amendments has recalibrated the balance among (i) the interests of needy single parents, (ii) the interests of needy children, and (iii) the interests of the larger society in expressing its commitment to all four values. To be sure, it is not easy to forge a legislative consensus (much less a societal consensus) on how the balance should be recalibrated.

It is useful to divide the four enumerated values into two distinct axes: a family-responsibility axis and a work-opportunity axis. In this section, we shall concentrate our attention on the pull between the value of individual work and the value of having our society collectively offer opportunity to its citizens. To what extent should one precede the other? To what extent should our expectations that individuals will work to support themselves be dependent upon how well we have fulfilled a prior collective obligation to provide opportunities for work? Our aim here is to illuminate how the adoption of PRWORA reflected a significant change in the way such questions are resolved.

Perhaps the most widely discussed aspect of PRWORA was its time limit — its establishment of a cumulative lifetime maximum of 60 months in which a single parent may receive federal funds (through a state program) in return for caring for her own child. No provision of PRWORA more starkly indicates the legislative understanding of what it means for a mother to “hold up her end of the bargain” through “work.” PRWORA time limit accelerates an important trend in welfare legislation: the change since 1935 in the implicit understanding of what it means for a single mother to “work.”

In AFDC's early years, the implicit concept of work was linked to other markers of social status. A stylized interpretation of conditions during the 1930's and 1940's might run as follows: White widows “worked” vicariously through their late husbands

and directly by maintaining a “suitable home” for their children. Over time, more white divorcees and unwed mothers claimed welfare benefits; they “worked” by satisfying the “suitable home” standard and, if the caseworker thought they were capable, by accepting “appropriate” work for wages. During that same time period, and especially in the south, black single mothers were expected to do whatever house or field work was demanded by local employers. In all cases, the mother, through her “appropriate behavior” justified public support for the fatherless child.

During the late 1960's, the federal AFDC statute began to embody a different notion of what kind of work was required from single mothers in return for welfare. In response to growing public dissatisfaction over the rising welfare caseload, one which coincided with a rapid increase in married white women's participation in the paid labor force, Congress amended the statute to provide greater economic incentives for maternal labor force participation and to provide that some women (although, admittedly, few at first) would be required to participate in work training programs.

After 1967, the statutory expectation for workforce participation by single mothers steadily expanded. Traditionally, mothers of very young children were exempted. But over the next three decades the definition of a “very young” child fell from “under six” to “under three” (and at state option to “under one”). Under PRWORA, states are free to eliminate the “very young child” exception completely and some have chosen to shrink the exception to cover only the first thirteen weeks of a child's life. Thus, any lingering uncertainty about what is in the developmental interest of young children has all but disappeared as a policy consideration.<sup>20</sup>

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<sup>20</sup> The empirical literature on this issue is inconclusive. There is no reason to be confident that overall the effects on children will be distinctly positive or negative if

The Family Support Act of 1988 emphasized training, education and work for AFDC recipients through the JOBS program. JOBS became a central feature of the FSA in part because of the favorable evaluations of many state “workfare” demonstration programs that were undertaken in response to the Reagan Administration’s emphasis on work. In the early 1980s, many liberals opposed workfare programs and considered them to be punitive. When these programs were evaluated by the Manpower Demonstration Research Corporation (MDRC), however, many were judged modestly successful in reducing welfare receipt and increasing earnings.<sup>21</sup> More important for liberals was the finding that many participants found the programs to be fair and helpful in connecting them to the work force. The evaluation results were promising enough so that by the late 1980s, moving welfare recipients into employment had become a bipartisan “new consensus.”

Liberals and conservatives still disagreed on other goals for welfare-to-work programs. Liberals thought welfare reform should offer opportunities for a welfare mother to receive training and work experience which would raise her family’s living standard through increased work and higher wages. Conservatives emphasized work requirements, obligations owed by a welfare mother in exchange for the government’s support, even if her family’s income did not increase.

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mothers are forced to accept available work opportunities. We are aware of no studies that consider the effects of different forms of child care (maternal or paid) on the children of welfare recipients. One can imagine that the two-year-old child of a disadvantaged welfare recipient might benefit from the stimulation of a day care center; one could as easily imagine that she might suffer from disruption in her intimate relationships. Ultimately, the effects on children will reflect both (a) the quality of the AFDC recipient child’s new day care environment and (b) the extent to which increased experience in the paid workforce provides the mother with a transition to a higher standard of living and with a set of life opportunities that make her a more successful parent.

<sup>21</sup> See Gueron and Pauly, *supra*.

By the time of the most recent round of welfare debates, it seemed clear that the most liberal form of the argument had lost out in the popular mind. There was not majority support for the view that a mother should not have to move from welfare to paid employment unless she could show a net improvement in her economic situation. The contested terrain shifted rightward.

After 1988, it had become clear that a welfare mother could no longer simply count her labors on behalf of her own child as “work.” And it had become clear that she could no longer expect that paid employment would enhance her economic position relative to that of a welfare recipient. The central issue was now whether her obligation to obtain paid work was in any way *dependent on* the availability of opportunity. Who has primary responsibility for identifying opportunities for paid employment? Is “responsibility” in this context mutual, or does it exist as a prior obligation of the mother?

David Ellwood, in his influential book, *Poor Support: Poverty and the American Family* (1988), offered one set of answers. He proposed converting welfare into an explicitly transitional system that would provide cash support for a limited period of time. At the end of the transitional period, a recipient would be expected to earn wages in a regular job or a work opportunity provided by the government. Low wages would be supplemented by expanded tax credits, access to subsidized child care and health insurance, and guaranteed child support. Ellwood’s proposal captured the attention of Candidate Clinton. It became the basis for Clinton’s campaign promise to “end welfare as we know it.” And once elected Clinton appointed Ellwood to be one of the co-chairs of his Welfare Reform Task Force.

From early on in the discussions that led to the enactment of PRWORA, it was clear that the notion of a “time limit” on receipt of welfare benefits held powerful political appeal. One can capture some of that appeal through an analogy to the world of

insurance. The proposition that welfare should not be “a way of life” implies that the “premium” a family pays to society by rearing its own children is a limited one, one that will only allow it to collect a limited “insurance benefit” should it be struck by the calamity of poverty. Proposals to time-limit AFDC were thus proposals to make AFDC more like time-limited Unemployment Insurance, and less like Social Security, whose benefits continue indefinitely.

Yet such a metaphor cannot do all the work necessary to justify the draconian form of time limits adopted under PRWORA.<sup>22</sup> For let us assume that some welfare recipients are physically able and have marketable skills but are simply unwilling to take available low-paying jobs.<sup>23</sup> And let us also assume that some other welfare recipients who currently supplement their benefits (in violation of welfare’s rules) by working off the books in low-wage jobs will simply move to more visible, but higher paying employment.<sup>24</sup> The problem is that there will still remain substantial numbers of mothers who, for physical health, mental

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<sup>22</sup> As mentioned above, programs funded by the federal block grant and the state maintenance-of-effort funds may not provide more than a cumulative lifetime total of 60 months of cash assistance to any welfare recipient no matter how willing she might be to work for her benefits.

<sup>23</sup> For a discussion which seems to assume that such women dominate the welfare caseload, see Lawrence Mead, *The New Politics of Poverty* (New York: Basic Books, 1992). For an exploration of the reasons why some women might refuse work, and might even describe themselves as “too lazy” to work, see Lucie White, “No Exit: Rethinking ‘Welfare Dependency’ From A Different Ground,” 81 *Georgetown Law Journal* 1961, June 1993.

<sup>24</sup> Christopher Jencks and Kathryn Edin, “The Real Welfare Problem,” *American Prospect*, Winter 1990.

health, or other reasons, will not be able to find steady employment.<sup>25</sup>

PRWORA allows states to exempt as much as 20% of their caseloads from the strict 60-month time limit. Unfortunately, the data we reviewed in the previous section indicates that many women who were on the pre-1996 welfare caseload were likely to have difficulty finding steady work without governmental intervention to expand job opportunities.

PRWORA reveals no sense of mutual responsibility or obligation on the government to help those “who want to help themselves.” The time limit becomes a high wire with no safety net. PRWORA offers no opportunity to work-for-welfare, much less a job, at the end of 60 months, even though the evidence suggests that the employment prospects for many welfare recipients are not good. PRWORA offers no promise of health insurance for poor families who work, even though many hold jobs that do not offer health benefits. PRWORA evinces no willingness to spend new funds, even though the evidence suggests they are required to reduce economic hardship.

The message of the new statute is, quite simply, that in the aftermath of welfare reform, the American welfare state no longer recognizes any collective obligation to provide opportunities for paid employment to single mothers.<sup>26</sup> While the federal government may provide up to sixty months of cash “insurance” support, once the insurance money runs out the welfare recipient is

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<sup>25</sup> See Sandra Danziger et al., “Barriers to the Employment of Welfare Recipients,” <http://www.ssw.umich.edu/poverty/wesappam.pdf>, February 2000.

<sup>26</sup> Cf. Theodore Marmor, Jerry Mashaw, and Philip Harvey, *America’s Misunderstood Welfare State* (1990) (arguing that America has an “insurance-opportunity” state); Jeffrey Lehman, “To Conceptualize, To Criticize, To Describe, To Improve: Understanding America’s Welfare State,” 101 *Yale Law Journal* 685-727 (December 1991).

on her own unless her state government intervenes with its own funds.<sup>27</sup>

## TWO OTHER FUNDAMENTAL VALUES: FAMILY AND RESPONSIBILITY

The other axis of values that has long been central to welfare reform debates links the value of parental responsibility to the value of two-parent families. Can welfare protect children from some of the economic costs of divorce without encouraging divorce? Can welfare protect children from some of the economic costs of being born out of wedlock without encouraging nonmarital births?

As we noted earlier, such questions were, until recently, an important but secondary issue in welfare policy discussions. During the 1980's and early 1990's, however, a broad political consensus emerged in which the dominant issue was work. The central reform goal was to maintain a social safety net while fighting the alienation of welfare recipients from the paid workforce.

In recent years, however, that changed, and family came to rival work as the central welfare question. After the November 1994 Republican Congressional victory, many conservative politicians rejected the work consensus and sought to shift the focus of debate to out-of-wedlock childbirth. In 1995, the first welfare reform bill passed by the House of Representatives would have denied AFDC benefits to children born out of wedlock. And in PRWORA, that possibility remains a state option under the general transformation of AFDC into a block grant to states.

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<sup>27</sup> Several states have announced that they will not automatically terminate recipients at 60 months, but will use their own funds to continue to provide cash assistance or vouchers. Gallagher et al., "One Year After Federal Welfare Reform" (May 1998).

Although there is disagreement concerning how welfare reform can support families, there is no disagreement that rapid changes in family structure have occurred. The number of young children who live with only one parent has skyrocketed since the early-1950s. In 1960, only 9 percent of children under 18 lived with one parent, and less than 0.5 percent lived with a single parent who had never married. In 1992, 27 percent of children under 18 lived with one parent, and 9 percent lived with a single parent who had never married.<sup>28</sup>

Because AFDC assisted low-income children in one-parent families, the demographics of recipient families have changed in tandem with the changes in society as a whole. In 1935, the typical AFDC family was headed by a widow; in the 1950s, by a divorced or separated mother. Since the mid-1980s, however, most AFDC-recipient children have lived with a never-married parent.<sup>29</sup>

Just as David Ellwood's book provided the intellectual rationale for time-limiting cash welfare benefits, Charles Murray's writings provided the rationale for denying benefits to unwed mothers. In 1993, Murray published a *Wall Street Journal* editorial page column under the headline, "The Coming White Underclass."<sup>30</sup> The column has proven to have a surprising amount of political influence; as Mickey Kaus has pointed out, after Murray's column appeared many Republicans abandoned the view

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<sup>28</sup> House Ways and Means Committee, 1994, pp. 1112-1113.

<sup>29</sup> *Id.* at 401.

<sup>30</sup> *Wall Street Journal*, October 23, 1993; see also Charles Murray, "Keep It In the Family," *London Sunday Times*, November 14, 1993.

that “work” was the primary welfare problem and adopted the view that “illegitimacy” was.<sup>31</sup>

In “The Coming White Underclass,” Murray made effective use of the polemical style that he had deployed in *Losing Ground* a decade earlier and has used more recently in *The Bell Curve*.<sup>32</sup> He constructed an argument with eight structural characteristics:

(1) He presented a troublesome social fact. In *Losing Ground*, the troublesome fact was the increasing rate of pre-transfer poverty. In “White Underclass,” it was the increasing rate of out-of-wedlock childbearing.

(2) He presented the troublesome social fact in a variety of ways, using quantitative measures from several different data sets.

(3) He speculated in apocalyptic terms about the future implications of the troublesome social fact.

(4) He hinted darkly that the troublesome social fact had been concealed from the average American. While “headlines” reported one thing, Murray suggested that the “real news” had been suppressed.

(5) He expressed his vision of society in quotable aphorisms. “In the calculus of illegitimacy, the constants are that boys like to sleep with girls and that girls think babies are endearing. . . . Bringing a child into the world when one is not

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<sup>31</sup> “Bastards: The Right Abandons Workfare,” *New Republic*, February 21, 1994, pp. 17-19.

<sup>32</sup> Charles Murray, *Losing Ground: American Social Policy, 1950-1980* (New York: Basic Books, 1984); Richard Herrnstein and Charles Murray, *The Bell Curve: Intelligence and Class Structure in American Life* (New York: Free Press, 1994).

emotionally or financially prepared to be a parent is wrong. The child deserves society's support. The parent does not.”

(6) He offered a simple account of how the troublesome social fact could (in theory) have resulted from the rational responses of self-interested individuals to government social welfare programs.

(7) He insisted that the troublesome social fact would disappear if government disappeared (in this case, by eliminating many social welfare programs and denying an unwed mother any right to collect child support from the child's father). His proposal “does not require social engineering. Rather, it requires that the state stop interfering with the natural forces that have done the job quite effectively for millennia.”

(8) Finally, he offered assurances that the costs of his recommendation would be minimal because the world of private, voluntary exchange (families and charities) would be an effective substitute for the public safety net. “How does a poor young mother survive without government support? The same way she has since time immemorial.”

Even after the enactment of PRWORA, it remains important to grapple with Murray’s argument. Because even though AFDC has been abolished at the federal level, each state must now decide which families to help with the federal block grant funds. And the import of Murray’s argument is that each state should decide to deny any assistance at all to young mothers who bear children out of wedlock.

An important part of what makes Murray's polemic effective is the clever way it baits academics. For the structural characteristics that we numbered (3), (4), and (5) in the list above seem calculated to goad professorial critics into making analytically sound, but politically unpersuasive, criticisms.

Consider an example. In Murray's argument, a key premise is that having a child out of wedlock is detrimental to both the mother and the child — a premise that would meet little resistance with the general public and that would seem to be supported by data showing a correlation between nonmarital births and unfavorable measured outcomes. To an academic reader of Murray, however, the claim evokes two responses. First, observed correlations between out-of-wedlock childbearing and, say, poverty might be "spurious." Nonmarital births might not *cause* poverty. Rather, nonmarital births could be the *consequence* when young people grow up in impoverished surroundings and see little potential for escaping their conditions. Alternatively, both nonmarital births *and* poverty might be caused by some other pernicious social force. Second, even a supposedly-causal connection could be "contingent." In other words, even if out-of-wedlock childbearing is harmful to children under current conditions, it might not be so harmful if social programs or educational or economic opportunities were changed.

As a theoretical matter, these responses to Murray are completely sound. Social science methods are too limited to provide uncontroversial proof of social causation. And social phenomena are virtually all contingent. Our point, however, is that, while such responses might expose *theoretical* weaknesses in Murray's argument, they do not present counter-evidence to demonstrate that the relationship between out-of-wedlock births and poverty is *in fact* spurious. Nor do they demonstrate that American society could realistically be transformed to make the phenomenon benign. For policymakers, the knowledge that a social fact might not be *inevitably* troublesome is worth very little, especially if Murray's "troublesome" thesis (if not the "apocalypse" thesis) resonates with most people's intuitions about how the world works and is likely to continue to work.

It would be unfortunate if academic criticism of Murray's argument got bogged down in the logical failings of the way he

used characteristics (3), (4), and (5). The danger is that the serious flaws reflected in characteristics (6), (7), and (8) of Murray's argument would remain unexposed. Accordingly, for purposes of discussion, let us stipulate that out-of-wedlock childbearing is a troublesome social phenomenon and that its recent rise is a troublesome social fact. Let us even stipulate that it might have been appropriate for the federal government to consider replacing the programs of the War on Poverty era with Murray's War on Illegitimacy. The problem is that Murray has not even remotely begun to make the case for the idea that the first step in his War should be to deny unwed mothers access to the social safety net.

Murray suggests, first, that the rise in nonmarital childbearing was caused by the growth of the welfare state; second, that eliminating the welfare state would reverse the trend; and third, that the side effects of eliminating the welfare state would be tolerable. These three propositions are independent. Even if the first were true, it would not necessarily imply the second; and the second would not necessarily imply the third.

Unlike his quasi-empirical discussion of the fact and consequences of nonmarital childbearing, Murray's discussion of the causes of the rise in nonmarital birth is purely theoretical. He attributes it to a change in the "calculus" of young boys and girls. He believes that the rise in nonmarital births has followed from a drop in their "costs." And he believes that eliminating welfare would, directly and indirectly, raise those costs enough to lead young girls (and maybe even young boys) to act differently.

Granting for the moment Murray's concern about the costs of nonmarital childbearing, is he right to target the welfare system as its cause? He is surely right that AFDC treated one-parent families better than two-parent families. Whereas a one-parent family needed only be poor to be eligible, two-parent families could receive AFDC benefits only if (a) one parent was

incapacitated or (b) the primary earner had been recently employed and had become unemployed. Thus, it is not surprising that in 1991 only about 11 percent of AFDC children qualified for the program while living with both parents. Indeed, the fact that AFDC treated single-parent families better than two-parent families has been a concern of policymakers since at least the early 1960s.<sup>33</sup>

As a matter of pure theory, Murray could well have been right that the structure of AFDC eligibility brought about the rise in out-of-wedlock births. But it is just as easy to construct a story on the theoretical plane about why Murray's account of the rise in nonmarital childbearing is *completely wrong*.

The key point, ignored by Murray in "White Underclass," is that merely knowing the *direction* of an economic incentive does not tell us anything about how big an *effect* the incentive actually has. When it comes to the decisions to have sex, to bear a child, and to raise a child, a host of other factors can easily "dominate" or dwarf the effects of AFDC's benefit structure.<sup>34</sup>

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<sup>33</sup> One brief digression on terminology. This differential treatment was, for many years, described as an "incentive" to not marry, to have a baby, or to separate. Recently, writers like Murray speak less in terms of creating a positive incentive and more in terms of reducing a "natural" disincentive. This is sometimes expressed with metaphors such as "support systems" or "umbilical cords." The distinction is not purely semantic. There is some support in cognitive theory for the proposition that people do not think about economic incentives and economic disincentives equivalently. They often act as if they fear a punishment or loss more than they welcome a reward or gain. They are more likely to insure against an unlikely loss, than they are to invest in a venture with the same probabilities and payoffs (see Daniel Kahneman and Amos Tversky, "Prospect Theory: An Analysis of Decision Under Risk," *Econometrica*, 1979). But as important as these differences may be, they do not alter the particular empirical prediction that is at stake — that the existence of AFDC led to more one-parent families and fewer two-parent families than there would have been in its absence.

<sup>34</sup> If we offered you a dollar to jump off a building, the direction of the economic incentive would be clear, but we would not expect to see much of an effect in the real world. Likewise, we know that an increase in the tax on cigarettes will reduce the incentive to smoke, but it has not been shown that taxation is the most effective way to

One need not rely on theoretical speculation, however, because social scientists have attempted to measure the effects of welfare's incentives on family structure. In a comprehensive review of the literature, Robert Moffitt considered the time-series data.<sup>35</sup> He concluded, "the evidence does not support the hypothesis that the welfare system has been responsible for the time-series growth in female headship and illegitimacy." He then considered the econometric analyses of the effects of variations in the level of welfare benefits on the likelihood that a child lives with two parents.<sup>36</sup> Moffitt concluded that, while some of the most recent studies had begun to show some evidence of a detectable effect on rates of female headship, the magnitude of the effect was small. "The failure to find strong benefit effects is the most notable characteristic of this literature [on the relationship between welfare and female headship]." Summarizing the studies that looked specifically at the relationship between welfare benefits and nonmarital childbearing, Moffitt concluded that there was "mixed evidence" of any effect at all.<sup>37</sup>

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reduce smoking. For a review of the sociological, psychological, and economic factors affecting out-of-wedlock childbearing, see U.S. Department of Health and Human Services, Report to Congress on Out-of-Wedlock Childbearing, DHHS Pub. No. (PHS) 95-127.

<sup>35</sup> "Incentive Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature*, 1992.

<sup>36</sup> Much of that literature is based on interstate variations in the level of benefits. In 1992 the combined value of AFDC and Food Stamps for a family of three ranged from \$456 to \$798 in the contiguous 48 states.

<sup>37</sup> After publishing "White Underclass," Murray finally confronted the data in "Does Welfare Bring More Babies?" *The Public Interest* (Spring 1994). There, Murray suggests that welfare may have caused nonmarital births to increase but then, when welfare benefits fell, the rate of nonmarital births failed to decline because illegitimacy "took on a life of its own." Murray does not attempt to reconcile the idea that illegitimacy has taken on a life of its own with his theory that eliminating welfare benefits would reduce the rate of nonmarital births in the 1990's.

In addition to eliminating welfare, Murray also proposed to reduce young men's and women's interest in bearing children out-of-wedlock by denying unwed fathers any legal right to have a relationship with their children, and by eliminating any obligation of unwed fathers to support their children. We have already challenged Murray's implicit assumptions about how such changes would affect young men's and women's perceptions of their own self-interest. Even more importantly, children who were born out-of-wedlock if his proposal were adopted, would find themselves with no claims for financial support from *either* the father who was one cause of their predicament *or* the state that insulated him from responsibility.

In contrast, for the past 20 years Congress has steadily expanded the federal role in child support enforcement. A domain that was almost the exclusive province of state law as recently as 1974 is today subject to a complex and pervasive umbrella of federal regulation. The system is designed to enforce financial responsibility, not only on the part of fathers who never marry, but also on the part of fathers who divorce. Under federal law, even after the passage of PRWORA, each state is required to entrust its child support operations to a single agency. It must demand the Social Security numbers of both parents as a condition of issuing a birth certificate (unless it finds good cause for not doing so). It is given economic incentives to improve the technology used to establish paternity, and to increase the percentage of cases in which paternity is established (except in cases where doing so would be contrary to the best interests of the child).<sup>38</sup>

Having established paternity, states are also required by federal law to establish uniform presumptive guidelines for child support awards. In the case of AFDC recipient children, the state

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<sup>38</sup> At present, paternity is established for only about one in three out-of-wedlock births.

had a financial incentive to obtain support orders. Finally, the enforcement techniques for collecting child support, once it has been awarded, have been strengthened — states must maintain parent-locator services; they must cooperate with one another; they must utilize Federal parent-locator services and even the federal courts, if necessary. Where necessary, states must use other enforcement mechanisms, including measures to withhold child support from fathers' tax refunds and unemployment compensation checks, and to impose liens on fathers' property. Since the beginning of 1994, states have been required to implement immediate withholding from fathers' paychecks (regardless of whether the father is behind) for all new child support orders. Nonetheless, despite these efforts, billions of dollars of potential child support payments remain uncollected.

In his January 1994 State of the Union Address, President Clinton suggested that he would press ahead even further. He said that we should “say to absent parents who aren't paying their child support, if you're not providing for your children, we'll garnish your wages, suspend your license, track you across state lines, and if necessary, make some of you work off what you owe. People who bring children into this world cannot and must not walk away from them.” We have no way of knowing to what extent such measures would reduce the frequency of out-of-wedlock births, but they would have symbolic value. In addition, a prominent researcher has concluded that such reforms can reduce welfare dependency and poverty by increasing the amount of child support collected.<sup>39</sup>

We are not challenging Murray's concern about the increasing nonmarital birth rate. Rather, we reject his suggestion that denying all benefits to unmarried mothers and absolving

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<sup>39</sup> Irwin Garfinkel, *Assuring Child Support: An Extension of Social Security* (New York: Russell Sage Foundation, 1992).

unwed fathers of any child support responsibilities are the best ways to resolve this problem. Indeed, given the research data, we would conclude that any beneficial effects resulting from the small decline in nonmarital births that might occur would be greatly outweighed by the increased hardships that would have to be endured by the children who would still be born out of wedlock.

Nor do we reject Murray's assumption that young women, sometimes teenagers, are making rational decisions about whether to become single parents. Assume for the sake of simplicity that a young woman chooses between two options: (i) having a baby alone, and (ii) waiting until she has married. Assume also that there is a social concern that too many teens are now choosing option (i). Murray believes that if all welfare benefits and access to child support were eliminated, option (i) would suddenly become substantially less attractive than option (ii). He is almost certainly wrong to think that the effects would be so dramatic that the "War on Illegitimacy" would suddenly be won. But that should not prevent us from considering other policy interventions that could make option (ii) more attractive than option (i). Indeed, there is some evidence, for example, that, holding other characteristics constant, women are less likely to have a child before they graduate from high school if they attach a higher economic value to the diploma.

Anyone seriously concerned about out-of-wedlock births should carefully consider two possibilities: (1) that narrow, focused changes in the benefit structure might reduce the relative benefits (or increase the relative costs) of deferring childbearing, without significant attendant social harms, and (2) that other government interventions might raise the perceived "benefits" of deferring childbearing in ways that would influence behavior. For example, the government might subsidize higher education for any high school graduate who had not borne or fathered a child out of wedlock, or provide a guaranteed job, or do more to ensure that any "opportunity" provided for single mothers trying to get off

welfare will be equally available to young women who avoided welfare by not having a child.

In sum, the statistical evidence fails to support Murray's strong historical claims that the current "crisis of illegitimacy" resulted from the structure of our welfare programs. It offers even less reason to believe Murray's suggestion that we could dramatically reduce out-of-wedlock births by denying unwed mothers access to public support.

### RECALIBRATING OUR VALUES

The package of normative and empirical assumptions that drove the Personal Responsibility and Work Opportunity Reconciliation Act is remarkable. If one were to put the proposal in its most favorable light, one would say that it reveals an astonishing degree of faith in the power of "shock therapy." Since the empirical evidence contradicts the view that welfare mothers could all find steady work if only they tried harder, supporters of PRWORA might believe that the prospect of starvation offers an unprecedented spur to entrepreneurial innovation, or at least to abstinence, abortion, or marriage.

One could also construct a somewhat darker rationale for PRWORA. One could say that it reflects a sense of deep despair and desperation about the future of America's poor children. Supporters of PRWORA might believe that children born out of wedlock pose such a grave threat to American society that we must take big chances, to make dramatic use of the symbolic power of government in an effort to change the behavior of individuals. They might even believe we should not invest too much energy in worrying about whether such dramatic moves injure some truly blameless mothers and children along the way.

A third rationale for PRWORA is simpler, and even more disturbing. The new law included a broad range of proposals for changes in the American welfare state. In addition to the AFDC

repeal, it denied government benefits and services to legal resident aliens, cut back on SSI for some disabled children, and restricts Food Stamps for unemployed childless adults. It is surely possible that PRWORA reflects nothing more complicated than the narrow self-interest of a group that does not identify with other people who collect means-tested benefits.

Whatever the actual personal motivations of the proponents of PRWORA, we are unable to defend it by reference to any set of normative and empirical assumptions that we would find palatable. It would significantly increase hardship and absolve government of numerous responsibilities that it now attempts to fulfill. We have certainly ended welfare as we have known it. But, as we discuss in the next section, we missed an opportunity to do a much better job — one that would have ended welfare without punishing the poor.

#### THE REFORM THAT MIGHT HAVE BEEN

During the 1960s and 1970s, the expert consensus was that the key to welfare reform was a “guaranteed minimum income.” During the 1980s, the new consensus declared “work” to be the key. In the 1990s, two new “master keys” were pushed towards center stage: “reducing out-of-wedlock births” and, most recently, “devolution to the states.”

Perhaps it is time to admit that there is no master key, no magic bullet. Welfare policy is about difficult choices and unsatisfying balances. And the devolution of responsibility to the states now serves only to shift the forum in which difficult policy choices must be made.

We believe that there was room in the pre-1996 welfare system for a program of balanced reform. Changing social and economic conditions made it plausible to believe that America could have found a way to constructively recalibrate the balance among the values of work, family, responsibility, and opportunity. What would it have taken for Congress and the President to have a

balanced reform of the welfare system that would have both ended welfare as it had been known and produced a national welfare state better attuned to the values of work, family, responsibility, and opportunity? In our opinion, such a reform package would have had the following features:

1. *Time Limit Experiments.* We are not opposed to experiments. While we would not have repealed AFDC nationwide, we would have allowed some states to experiment with a time limit on the period during which a parent could receive unconditional cash assistance.

2. *Jobs.* The best evidence suggests that the private market will fall far short of offering jobs to all welfare recipients who reach a time limit. For recipients who reached a time limit, we would have experimented with different forms of assurances of paid work — government provided or government subsidized. Such experiments could have included the preservation of an entitlement to cash assistance beyond the time limit for any otherwise eligible parent who accepts a nominally unpaid community service (work-for-welfare) position.

3. *Safety Net.* Our reform would have maintained some entitlement to a minimal level of material support for deprived children.

4. *Health Care.* There is some evidence for the proposition that the loss of Medicaid is one of the biggest concerns of welfare recipients who enters the paid workforce. Under current law, people who leave welfare are entitled to retain transitional Medicaid benefits for a year. To make paid work more attractive than welfare, we would have been interested in further discussion of an entitlement to health care for the working poor. The 1997 Child Health Insurance Program (“CHIP”) moves in this direction, but it provides this insurance only for the children of the working poor.

5 *Child Care.* Any ambitious program of welfare reform rests on the premise that children's long-term interests are served by requiring their single mothers to participate in the paid workforce. That assumption about the long-term is necessarily linked to some assumptions about the short-term. In particular, it assumes that children who are currently being cared for by their mothers will receive adequate care once their mothers have jobs. But good child care is expensive. Reformers must be willing to come to grips with that fact and account for it in their budgets. Otherwise, the presumed long-term benefits of reform are destined to be an unfulfilled promise.

PRWORA gets good marks in this area. Federal funding for child care was consolidated into a child care and development block grant, and funding was increased by 25 percent over prior legislation. States have also shifted more of their own welfare spending from cash assistance to child care in response to the post-1996 fall in caseloads.

6 *Child Support Enforcement.* Welfare reform cannot be just about women and children. No welfare reform plan can speak meaningfully about a "new commitment to enforcing parental responsibility" if it ignores fathers. Given the high rate of joblessness among the fathers of children on welfare, that probably means attention to fathers' opportunity sets as well. A comprehensive welfare reform package should include fathers paying child support within the scope of experimental public sector jobs programs that provide them opportunities.

7 *Willingness to Spend Money.* Any reform package that aspires to make a significant change along the dimensions of work, family, responsibility, and opportunity along the foregoing lines will be expensive. In the current economy, it will cost a lot to expand work opportunities for single parents who may lack marketable skills. But if welfare reform is to empower but not punish the poor, it must proceed on a principle of balanced

responsibility: welfare recipients and prospective parents must take responsibility for themselves and their children; the government must take responsibility for providing meaningful employment opportunities for all.

To be sure, even a commitment to all these elements leaves open a great many choices about methods of implementation. Jobs could either be provided directly by government or induced through subsidies to private employers. Health care and child care could be provided directly by government, through subsidized purchases by employers on behalf of their employees, or through vouchers directly to the workers. A nonpoverty wage can be assured through a higher minimum wage or additional wage supplements to employees.

Any combination of approaches would have been more expensive than the current welfare system. But any combination could have been tried out, as the price of ending welfare as we know it, in a manner that acknowledges the ongoing mutual responsibility that the poor and the rest of society owe one another.

## CONCLUSION

The Great Depression taught Americans an important lesson: that individuals can be poor and unemployed through no fault of their own. The New Deal and the War on Poverty expressed a solidaristic commitment to help such individuals. Working Americans would pitch in to contribute, to help create opportunities for others, so that the country as a whole would be able to live out the values of productivity and compassion.

PRWORA has rejected some of the values of the New Deal and the War on Poverty. It seems that the slow economic growth and the expansion of economic inequality and insecurity of the period from the early 1970's to the early 1990's merged with other social forces to undermine identification with the poor. Members of America's middle class now seem to have trouble seeing

themselves, their parents, their children, or their friends standing in the shoes of the poor. If that has indeed happened, then much more than the well-being of single mothers and their children may be in jeopardy in the coming years.

