

WR -  
IDEAS

## How to Improve the Advanced Payment of the EITC

### Issues

1. To what extent is the failure of the EITC as an advanced payment a result of:
  - a. lack of employer and/or employee information regarding the availability of the advanced payment;
  - b. employee fears of having to repay overpayments?
  - c. preference of eligibles for lump-sum payments;
  - d. employee reluctance to ask employer to do extra work;
  - e. employer reluctance;
2. If 1.a. is true, what actions could be taken to better inform individuals of the advanced payment.
3. If 1.b. is true, what changes in the EITC could be made to reduce the possibility of overpayments being made?
4. If 1.c. is true, should the federal government attempt to alter these preferences?
5. If 1.d. is true, should the Federal government attempt to reduce employee reluctance?
6. If 1.e. is true, are there employer concerns that should be addressed, especially for small businesses?
7. What factors account for over-claiming of EITC? What steps should be taken to assure that fraud and abuse are minimized in the reform proposal?
8. How can EIC and AFDC income disregards be integrated to minimize excessive tax rates and work disincentives?

### Tasks

1. Determine what information is available to ascertain the causes of low uptake of the advanced payment.
2. If necessary, develop information through surveys.

3. Develop and cost out options for information dissemination, operational improvements, e.g. simplification, helping employers overcome administrative and financial problems in providing advance payments.
4. Address whether options should be tested or implemented nationally.

## State Incentives in the Child Support Program

### ISSUES

1. Should there be an alternative funding structure for the Child Support program?
2. Should a minimum level of performance be expected from State Child Support programs with respect to AFDC and Non-AFDC collections, cost effectiveness ratios, delivery of services, staffing ratios, etc., as a condition of Federal funding? Should States be required to increase their funding until they reach an acceptable level of performance?
3. Should certain State costs, such as laboratory costs of paternity establishment and the costs of developing statewide automated child support systems continue to be reimbursed at 90% by the Federal government?
4. Should the incentive payments currently in place be changed or eliminated? Should states be required to reinvest incentive payments in the program?
5. Should non-custodial parents or even non-AFDC families receiving IV-D services be required to shoulder more of the cost of providing services?
6. How are costs contained if total reliance is placed on open-ended Federal financial participation?
7. If the distinction between IV-D and non-IV-D cases is removed who (States, Federal Government, individuals) should pay for providing services in all cases?

### Tasks

1. Formulate options regarding what would be desirable and acceptable performance for State child support enforcement programs.
2. Review suggestions from all sources concerning the funding structure of the Child Support Enforcement program.
3. Explore whether more generous funding of the program should be coupled with staffing standards, training standards and other requirements that State child support enforcement programs must meet.
4. Develop options regarding matching rates and incentives in the Child Support Enforcement program that would show various ways of motivating and helping State programs.

5. Examine various alternatives for funding expanded access to child support services.
6. Estimate costs and effects of alternatives.

## Central Registries and New Hire Reporting by Employers

### Issues

1. Should the use of new hire information be limited to wage withholding?
2. Should employers report new hires to a State or Federal level repository?
3. How should the system be designed to maximize its effectiveness in interstate cases?
4. Should there be State registries or a Federal registry of child support cases that the new hire information could be matched against?
5. What are the broader uses for a Federal registry of child support cases beyond matching with new hire data?
6. Should the system be universal for all employers and employees, or something short of that?
7. How significantly would a new hire reporting system improve collections relative to the cost of creating and maintaining it?
8. Which system and registry configuration would be most cost effective and efficient?

### Tasks

1. Explore the benefits of and issues relating to additional uses of new hire/registry information beyond wage withholding, including location and enforcement, such as suspension/denial of professional licenses.
2. Review current State approaches to employer reporting and the recommended approach of Interstate Commission.
3. Examine the costs and systems issues for state and/or Federal registry, including transition time and expenses and the extent of universality.
4. Develop options regarding different ways of setting up system. Options should include both Federal and State based systems and systems with and without an accompanying registry of child support cases.
5. Research basic systems design issues surrounding various options.
6. Conduct cost/benefit analyses of different approaches.

## Enforcement Techniques

### Issues

1. Should the Federal government mandate that States adopt additional enforcement procedures such as suspension of drivers, professional, or other licenses for failure to pay child support? To what extent is a national registry necessary to facilitate suspension of licenses?
2. Should existing State enforcement techniques be strengthened through other techniques including those mentioned in the Interstate Commission report? For example: Should we require broader access to State data bases? Should credit bureau reporting requirements be expanded to ensure widespread reporting of up-to-date information?
3. Should the Internal Revenue Service or other Federal agencies have an expanded role in the collection and distribution of support payments? Including perhaps an expansion of the IRS full collection process?
4. What should be the volume of cases that are enforced through Federal mechanisms, such as the Federal criminal nonsupport statute or full collection services of the IRS?
5. Should UIFSA be mandated at all? As a Federal law or State law? How quickly can all States be expected to either adhere to, or adopt, UIFSA?
6. How should interstate case processing activities best be accomplished during transition from URESA to UIFSA-based actions?
7. What role would UIFSA play in a system designed to emphasize Federal-level collection activities?

### Tasks

1. Develop options concerning possible additional Federal mandates that may be required of States, such as license suspension programs.
2. Develop options concerning how existing State enforcement techniques, such as credit bureau reporting, can be strengthened.
3. Develop options concerning possible expansion of the role of the Federal government, particularly IRS.
4. Formulate options for improving the establishment and enforcement of support obligations against non-resident obligors.

5. Develop models to estimate the costs (including savings) and effectiveness of the various alternative approaches to enforcement and interstate case processing.
6. Research the automated system implications of all alternatives, particularly for alternatives requiring an increased Federal role.

## Paternity Establishment

### Issues

1. What should the Federal/State roles be in paternity establishment?
2. Should paternity establishment be mandatory for all out-of-wedlock births?
3. What more can we do to promote voluntary paternity establishment?
4. What more can and should we do to improve cooperating in establishing paternity when such cooperation is a condition for receipt of public assistance?

### Tasks

1. Brainstorm, review literature, identify state practices and identify models and experiences from other countries.
2. Identify optional ways to promote voluntary paternity establishment.
3. Identify optional ways to improve mandatory paternity establishment.
4. For each option, identify costs, implementation issues, political issues, legal implications, ethical implications, societal costs and benefits.

## Child Support Assurance

### Issues

1. Who would be eligible? What would be the basis for determining eligibility?
2. What would be the structure of the guarantee? What options exist in terms of:
  - level of guarantee;
  - state supplementation;
  - absolute or related to award or payment levels;
  - benefit rules;
  - recoupment and accounting periods; and
  - indexing?
3. How should the public transfer be financed?
4. What should the program's administrative structure be?
5. How should the assured benefit interact with means/income tested programs?
6. What should the tax treatment of the public benefit be?

### Tasks

1. Identify options for eligibility.
2. Identify options for structuring the guarantee.
3. Explore options for financing the transfer taking into consideration Federal and State roles.
4. Identify options for interactions with AFDC, Medicaid, Food Stamps, and JOBS.
5. Review research on labor supply, family structure and other effects.
6. Explore options for tax treatment of the public benefit including treating the benefit as ordinary income for tax purposes.
7. Cost out alternatives for the benefit.
8. Cost out alternatives for administration of the program.

## Restructuring the Child Support Enforcement Program

### Issues

1. Should the entire child support program be federalized (even if child support assurance is not adopted) or should the current Federal-State partnership be maintained?
2. If the Federal-State partnership is maintained, should states be required to move towards a central, unified state administration?
3. Should the current dual system of support enforcement be eliminated, that is should there be any distinction between child support enforcement services provided under title IV-D and private child support cases and should there be any distinction in program requirements (like tax offset thresholds) for AFDC and non-AFDC IV-D cases?
4. Should States be required to adopt and use administrative procedures in all cases?

### Tasks

1. Assess the effectiveness and the efficiency of the current State models for child support enforcement, e.g., administrative versus judicial, State-operated versus county-operated.
2. Estimate the potential administrative cost of a federalized system.
3. Develop pros and cons for providing universal services under title IV-D.
4. Develop pros and cons for decoupling child support and AFDC for the different administrative options. Include discussion of distribution and different program requirements.
5. Determine the cost of the various options.

## Employment, Education and Training Activities in the First Two Years

### Issues

1. How can activities be structured to minimize the number of individuals who have reached the two-year limit and are unable to sustain themselves independently?
2. How flexible should the federal government be with regard to state program design?
3. How should the federal government measure and ensure that the appropriate level and mix of services are available to recipients on a timely basis?
4. Should participation be mandatory or voluntary?
5. How should the needs of teen parents and other youth be addressed?
6. How should the program be phased in?
7. Should preventive services be offered to those "at-risk of going on AFDC?
8. What do we know about successful client assessment and targeting strategies?

### Tasks

1. Formulate options regarding what would be an acceptable state E&T program, and how that would be determined/measured.
2. Review research and program data regarding costs and effects of E&T programs.
3. Develop criteria for "appropriate" and "timely" services, as well as identifying consequences of states not providing "appropriate/timely" services.
4. Link welfare dynamics analysis to experimental E&T research to develop longer term patterns of welfare and E&T utilization.
5. Develop a model to estimate costs and effects of alternative approaches.

## Post Welfare Issues

### Issues

1. How should the post AFDC jobs program be structured? How much emphasis should be given to public jobs, CWEP, and private jobs?
2. How should it be financed?
3. What incentives for employers should be used?
4. How universal should these jobs be? For former welfare recipients only or for other poor as well?
5. How will this program be coordinated with other employment and training/education programs? (applies to both front end JOBS and post-welfare employment strategies)

### Tasks

1. Seek input from representatives of state and local welfare and employment groups, employer groups, labor unions, public interest groups, economic development agencies, community organizations, client advocacy organizations, business organizations to obtain recommendations for creating transitional jobs and private sector jobs.
2. Determine costs for setting up and operating various types of employment programs.
3. Review what is known and not known about transitional employment strategies that work and for whom. Include New Hope, Canadian model, apprenticeship models.
4. Estimate how many job slots would be needed under various options and costs.
5. Examine financing options and assess the potential impacts of various employer incentives (subsidized employment, targeted jobs tax credit, enterprise zones, others).
6. Identify implementation issues such as:
  - o Legal issues
  - o Assess what if any strategies may be needed for rural areas.
  - o Examine post-time limit benefit options for their potential costs and impacts (including vertical and horizontal equity issues).

- o Examine return spells and develop options for treating people who return to AFDC.
7. Identify alternative financing sources for employment programs and coordination strategies.

## Child Care

### Issues

1. How much child care is currently being used and how does that compare with the demand that might be expected under various reform options?
2. How can current child care programs expand to meet the expected demand? What are the associated costs?
3. What is the adequacy of supply, particularly the availability of child care in the very low income neighborhoods of central cities?
4. What is the adequacy of supply of child care for infants and toddlers?
5. Should we rely on state licensing activities and procurement standards to ensure quality in child care?
6. Do we want to reduce the number of child care programs and consolidate them to give states more flexibility to target the programs to reform activities?
7. Are the various Federal financial participation matching rates supportive of the initiative's objectives and do they target funds to priority activities/groups?
8. How should we integrate welfare reform proposals with the tax provisions?

### Tasks:

1. Review and analyze administrative data on AFDC and Block Grant child care usage. Look at ages of children, numbers of children per family, numbers and demographic characteristics of AFDC working families using, and not using, publicly financed child care.
2. Investigate and analyze cost data to obtain unit costs by age of child and type of child care, costs per state, and total Federal costs.
3. Review other nationally representative child care surveys, such as SIPP and the 1990 National Child Care Study (low-income sub-study) for comparable utilization and cost data.
4. Review the Rockefeller JOBS Implementation Study and state employment and training studies for other utilization and cost data that might be used to predict the increased demand and potential shortages that reform options might have.

5. Look at Child Care Tax Credit options and use TRIM to model/simulate cost and distributional impacts of tax and AFDC reform proposals.
6. Investigate program linkages and determine potential barriers and problem areas. Work with Head Start to assure that expansion plans are consistent with and further welfare reform plans.
7. Review and analyze state data on child care reimbursement rates. Identify problems and consider minimum rates or other potential modifications.
8. Review state licensing standards and Federal regulations for centers and family day care to determine whether standards are an issue. (barriers to operation as a state system, quality, etc.)

## Support Services Other Than Child Care

### Issues

1. Should State flexibility in the choice of support services continue or should certain support services be mandated?
2. Should states be allowed to require participation in certain support services, e.g. drug and alcohol treatment.
3. Should other support services not strictly work related but which may have positive effects be funded, e.g., parenting skills and parent support groups?
4. Should funding be available for support services after the individual is employed (post-AFDC) e.g., parenting skills, other services to assist job retention?
5. If FFP for services is broadened or mandated, would funding at a higher match rate be necessary?
6. How should linkages at the state level among Federal services programs be improved, e.g., the social services block grant, the alcohol and drug abuse block grant?
7. How should the federal government ensure that the appropriate level and mix of services are available to recipients on a timely basis?

### TASKS

1. Review state plan data to identify support services being provided currently.
2. Collect cost data on current support services being provided.
3. Review program data regarding effects of support services; survey states re: their views.
4. Develop options re: services to achieve 2-year employment goal.
5. Develop cost estimates for various options proposed.

## Transitional Welfare Strategies

### Issues:

1. How long should the time limit be? Should there be a single time-limited policy? Should there be different strategies tailored to subgroups? Should returns to welfare be allowed and under what circumstances?
2. Who should be expected to work? What groups should be emphasized? What groups would be exempt? Under what circumstances might individuals be eligible for extension on time limits, e.g. to complete education, training, or other treatment goals?
3. How should we treat those who are unable or unwilling to work?
4. How can we ensure that the welfare initiative enhances successful transition of youth from school to work?
5. How should the program be implemented? What components could be implemented nationally? How should the program be phased in? For what aspects would we want to encourage state demonstration?
6. What do we do about food stamps? What linkages should there be with SSI, GA programs, refugee assistance programs, housing, etc.?
7. What sanctions/incentives should there be? How mandatory should the program be?

### Tasks

1. Develop\Refine caseload models: Collect and analyze data to determine under current policies and economic conditions what proportions exit AFDC/Food Stamps by months on the rolls. Determine patterns by subgroups, States, program benefit levels, labor markets. Develop capacity to determine caseload effects of various exemption and targeting criteria under time-limited welfare.
2. Examine what is already known: papers on time-limited welfare (e.g. Ellwood, Scott), past public service employment studies, supported work and work experience studies, job creation strategies, caseload dynamics literature and data.
3. For youth in particular, analyze what we know about successful transition to work programs and identify options and linkages.
4. Assess the prevalence of barriers among recipients that may need treatment to maximize employability (e.g. physical limitations, prevalence of drug and alcohol abuse, depression, race discrimination, location, etc.).

5. Identify other short- and long-range data collection and analyses required to conceptualize and support major options.
6. Update cost models and develop cost estimates.

## AFDC Improvements

### Issues

1. Should increased earned income disregards and elimination of the 100-hour rule be part of a make work pay strategy?
2. Should elimination of categorical requirements such as the AFDC-UP attachment to work rule be part of a strengthening families agenda?
3. Should increasing the asset limit and the equity value of a vehicle be part of an agenda to encourage work and savings?
4. Should we consider a uniform minimum benefit?
5. How will AFDC fit together with other non-welfare components fit together? What are the benefit reduction rates, what offsets would there be for benefit reductions, what kinds of cliffs would there be under various options?

### Tasks

1. Review AFDC policy regarding the above and other potential changes.
2. Review literature regarding likely effects of potential changes.
3. Assess effects of potential changes on caseload and costs.
4. Analyze trade-offs regarding caseloads and costs between AFDC improvements and non-welfare solutions.

## Welfare Simplification and Consistency

### Issues

1. How can program simplification and consistency be achieved while providing the appropriate level of benefits/services and cost containment?
2. Should the separate categorical, income and assets tests, and administrative requirements of the public assistance programs be uniform?
3. Should legislation providing broad waiver authority for all programs be enacted to permit States to test a variety of consolidated program approaches?
4. How can the welfare system be organized to address the multiple needs of families in a holistic approach?
5. Should simplification and consistency among programs be attempted (in view of the difficulties) or should alternative strategies be supported?

### Tasks

1. Review regulatory and legislative changes recommended by States and APWA.
2. Review existing research findings regarding welfare simplification and consistency.
3. Develop and analyze options that promote welfare simplification and consistency.
4. Develop a simulation model to compare the costs and benefits of alternative proposals.
5. Review organizational structures at all levels of government that impact on the delivery of welfare programs.

## Financing Welfare Reform

### Issues

1. How much in Federal funds is needed/available to implement the President's welfare reform proposal?
2. How can Federal matching rates be structured to:
  - a. maximize incentives for cost-effective programs;
  - b. maximize incentives for State commitment of expenditures for administration priorities; and
  - c. minimize supplantation of existing State and Federal expenditures (e.g., on programs, such as GA, JTPA, Adult Basic Education, etc.,)?
3. Should funding be open-ended or capped?
4. How can private sector resources be leveraged to provide services and employment opportunities?
5. What programs should be included in the proposal (e.g., JOBS, Child Care, AFDC, Medicaid, Food Stamps, housing assistance) and should the current method of Federal funding be altered?
6. Should alternative methodologies be considered for Federal matching rates for AFDC and JOBS (and possibly other programs)? (AFDC and most of JOBS are currently funded based on State per capita income; this has been criticized by some because it does not take other factors, such as State poverty rates, into account.)
7. Should there be separate funding for experimental projects that test the proposed approach (or test alternatives to the one implemented nationwide)? If so, how much funding should be committed to such experimentation?
8. How should changes in financing the proposal be phased in?

### Tasks

1. Develop a budget for the welfare reform proposal, at least five years into the future.
2. Develop matching rate options consistent with Federal objectives.
3. Review research on State responsiveness to changing Federal matching rates.

4. Develop fiscal impact estimates State-by-State; review existing State funding and budget constraints.
5. Develop a model to estimate costs and effects of various options.
6. Develop options for increasing private sector resources in the provision of services and employment opportunities (e.g., reforming programs like the Targeted Jobs Tax Credit to stimulate new employment opportunities).
7. Develop and R&D budget for testing alternative experimental approaches.
8. Develop options for phasing in the proposal.
9. Look at maintenance of effort strategies to encourage supplementation rather than supplanting resources. Which strategies have been most successful in the past? How can we monitor this?

WELFARE

BRUCE REED

DATE: June 4, 1993

TIME	NAME AND MESSAGE	PHONE #
9:40	Burt Brandenburg	6604
10:55	X Tim Clifford, NEWSDAY	393-5630
12:35	X Tom Epstein Ref: immigration	6257
1:20	X Jill Lawrence, AP	828-6453
1:35	X Alan Stone	2777
1:40	Michael Kranish, BOSTON GLOBE	857-5119
3:02	X Bob O'Leary Ref: Welfare Reform	904-487-2055
4:55	X Jill Lawrence, AP	828-6453
	state CoC + Commerce Dept - generate job for every recip.	
	Labor - enroll training dollars	employ everyone else
	* <u>enterprise zone jobs credit for hiring off AFDC - \$2-3,000</u>	
	* <u>tool kit to measure how many people you get off AFDC</u>	
	Comm. neighborhood organizing - targeted grants for prevention	
	- intro next yr.	
	- dollars comm groups can save, they can keep some of it	
	AFDC caseload	incentives for comm groups
	Don Winstad, waiver guy	
	→ Ready for broader welfare plan at year-end	
	* <u>"This comm. will change welfare as we know it"</u>	
	- You can complain or you can solve it	
	(message to business) - We don't have welfare here	
	- good for econ. development	

# Get Ready for 'Smart Cards' in Health Care

Michael Kaye, a surgeon in Stillwater, Minn., used to go crazy trying to assemble complete records on his heart and lung transplant patients.

But six months ago, he started equipping patients with free optical cards that hold their entire medical histories, including angiograms. Now, when a patient sees Dr. Kaye for a follow-up, "individuals can generate their own charts. A great deal of time and money can be saved by avoiding the duplication of tests," says Dr. Kaye, who helped develop the system with Summit Medical Systems that used equipment donated by Canon Inc.

## Backing From Clinton

Dr. Kaye's system may presage the key role "smart cards" will play under the national health care system envisioned by the Clinton administration. During the campaign, candidate Clinton said, "Everyone will carry a smart card, encoded with his or her personal medical information." Such a card could authorize payments and hold medical histories, contributing to fairness, efficiency and quality in health care.

But to some people, this vision of the future looks like a nightmare: a national identification card that holds your key personal information. Moreover, cardholders might not want any medical staffer to see all of their medical history. An AIDS patient might fear that a dental assistant who saw the record might refuse to help in oral surgery. An emergency patient might not want an admissions clerk in a Catholic hospital to see that she had had three abortions.

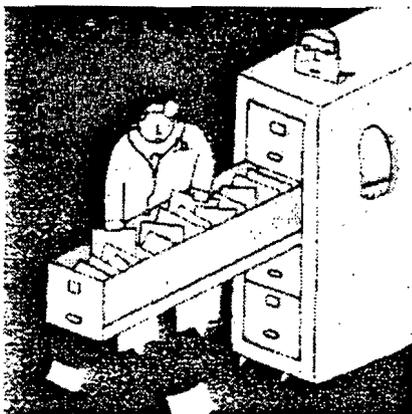
Privacy advocates worry that medical data also could be obtained by employers, insurers, government workers and marketers. Privacy expert Mary Culnan, associate professor at Georgetown University's business school, is especially concerned that if the card is tied to the individual's social security number, "the question is, can all the medical information be merged with other stuff?" Groups including Computer Professionals for Social Responsibility and the American Civil Liberties Union have written to Hillary Rodham Clinton urging that privacy restrictions be designed for cards. Proponents claim protections can be built in to ensure privacy.

## Smart and Optical Cards

Right now, health planners around the world are considering two different types of cards, smart and optical cards.

Smart cards with a microprocessor and memory chips currently hold the equivalent of 30 pages of data — not enough for an X-ray, for example. The cards cost \$10 to \$50; they can be secured so that a user has to give a password, a fingerprint or voice print to open up the contents; and the reader that displays the contents on a screen costs just \$100.

Optical cards use the same type of technology as a compact disk for music or



John Segal

data, but look like silvery credit cards. An optical card now holds about 2,000 pages of data. There's enough space to hold a number of digital images, such as ultrasound pictures of a fetus, electrocardiograms or even a low-resolution chest X-ray. The cards cost about \$5 to \$20 each, but the systems that display the information and record new data added by a doctor or druggist cost \$3,000 — a big expense when spread through the medical system.

Still, because they can cram so much information into so little space, optical cards may be attractive to consumers. Donald Specht, president of Argenta Systems Inc., which is installing optical library-card systems in Ontario, predicts that many patrons will pay \$15 to store a lot of personal information on their library cards, such as images of birth certificates, insurance policies and other documents.

The most popular card technology in the U.S. is that used on most credit cards, a magnetic stripe that holds just half a page of data. It costs less than \$1 and the reader costs about \$400. America has been slow to embrace smart cards because of the installed base of magnetic stripe readers and an abundance of phone lines for retailers to use to check on cards. In many countries where phone lines are scarce, merchants prefer smart cards, because they carry their own spending limits and can be shown to be valid when the owner keys in a personal ID number.

Stephan Seidman, editor of Smart Card Monthly, a newsletter based in Montara, Calif., doesn't worry about unwanted readers looking at data on a chip-based card, because "nobody has ever penetrated a smart card." Optical-card advocates say that optical data could be encrypted or a chip could be added to the card to control access.

In France, where the smart card was invented and is used for pay phones and bank cards, medical insurers are experimenting with a number of different smart cards for patients. The government is starting to distribute practitioners' cards to 1.3 million doctors, medical technicians and pharmacists that would allow each to read any patient's medical card—

but only sections applicable to the professionals, says Elsbeth Monod of the French Ministère des Affaires Sociales, who recently spoke at the CardTech industry show in Arlington, Va. Pharmacists, for example, could see current prescriptions but not diagnoses. Congress's Office of Technology Assessment is currently studying the French system.

One way to balance efficiency and privacy is to require people to carry a smart card with administrative information. Patients could then volunteer to carry a more comprehensive optical card, especially if they have medical conditions such as pregnancy or organ transplants where follow-up reporting is valuable. Recently, Germany launched a national health care program with administrative data only. In the future, a second card with health information will be added.

American Telephone & Telegraph Co.'s smart card unit is demonstrating a multi-purpose card that could be used for various functions, including automatically filling in medical insurance forms. "The plan is for it to be a records locator" that could speed-dial insurance carriers or other doctors to authorize procedures, says Diane R. Wetherington, president of AT&T's Smart Cards Systems and Solutions division. "You should always be able to see everything that's in your card, and nobody should be forced to carry information he doesn't want to," adds Ms. Wetherington.

The Pentagon also is looking at the benefits of putting extensive records on smart cards as a replacement for the traditional dog tags. Besides medical information, they could include service and family data. But that poses risks. Michael Noll, of the office of the secretary of defense, says, "To send something like that with a pilot who may have to bail out over Baghdad would be a mistake."

Reed / Day

File:  
Welfare - Ideas

April 22, 1993

Carol Rasco  
Assistant to the President for Domestic Policy

Dear Ms. Rasco:

Another harebrained idea! This is about a possible way for many to extricate themselves from the welfare trap.

I believe and hope many want to get away from welfare, but, as we all know, the cost of their giving up the twice a month welfare check is greater for them than the benefit which would be gained from taking a low-paying job. There is a disincentive to leave. So they stay.

Here is the skeleton of a program idea that gets at the dilemma in a way that might turn out to be feasible. ( Who'd know unless it were tried?)

This borrows from the IRA concept that offers an incentive that makes people choose to save money.

Ready?

1. The welfare recipient (client) enters a private sector work training program but stays on welfare.
2. The wage or salary from the job breaks down as follows:
  - a. Client to keep, say, 15 or 20% to better his living situation immediately.
  - b. The rest of the pay is deposited into a fund or otherwise treated like deposits to an IRA.
  - c. The gain from this investment accumulates entirely for the benefit of the client.
  - d. At the end of a set term (or sooner if it's in the interest of the client to leave welfare) the money from the fund would be distributed as follows:
    - 1) All the interest or gain to the worker.
    - 2) Half the payout of principal to the worker.
    - 3) Half the payout of principal to be refunded to the welfare system. This money will not cover the contribution the system has made to the client, but at this point there will be one less welfare recipient, earning money, paying taxes.

Now there are only a couple of million details left out of this proposal, and I am not the one qualified to suggest them. But a program begins with a concept.

Just as with IRA, government can create a structure which can provide the incentive for people acting in their private and individual capacities to achieve personal goals which are also socially desirable.

I hope someone who hears about this approach and who can effect action will look further into it. I also hope you do read this and will send perhaps even a two line response saying that you did.

For a workable reform of our failing welfare system, I am,

Sincerely yours,

Freeman D. Blake

# A COMPUTER GAP IS LIKELY TO SLOW WELFARE CHANGES

## ENFORCEMENT IS AT ISSUE

### Lack of National Data Base to Track People Who Get Aid Poses Problem in States

By ROBERT PEAR

WASHINGTON, Sept. 1 — It sounds simple. The Federal Government will impose a five-year lifetime limit on welfare payments to any family, starting no later than next July. But state and Federal officials say it will be months, probably years, before they have the computer capability to enforce such restrictions throughout the country.

That is just one example of the immense practical problems that officials have discovered as they study the bill overhauling welfare that was signed by President Clinton on Aug. 22. To comply with the new rules, they must create national computer systems to collect information from every state on welfare recipients, on people who owe child support and on all newly hired employees.

In Congressional debates, lawmakers almost never mentioned the practical problems of enforcing the five-year limit, for which there was strong bipartisan support, or other aspects of the new law. In their zeal to reduce the Federal role, members of Congress paid little attention to the need for uniform national standards and interstate cooperation on some issues.

Federal officials say their power to enforce the law is extremely limited. At the same time, lawyers and advocates for the poor are finding that the rights of welfare recipients have been drastically curtailed by the new law, which eliminates a 60-year-old Federal guarantee of cash assistance for the nation's poorest children.

The states will have to make big changes in their computer systems to capture the necessary data. Many states say they have not kept track of how long people receive welfare because they had no need for such information.

Iowa's welfare director, Douglas E. Howard, said: "We don't track lifetime time limits now. We'll need the capacity to track people for the rest of their lives."

The success of that effort will depend, in part, on the development of a national data base to keep track of welfare recipients moving across state lines, Mr. Howard said. If, for example, a person receives welfare for one year in New York and one year in Ohio before moving to Chicago, those payments count against the lifetime limit, which must be enforced by officials in Illinois. But states now have no way of exchanging data.

James M. Hmurovich, the welfare director in Indiana, said: "There is no national public assistance computer network."

Even states like Wyoming that have adopted their own time limits have no way to get information from

...EET JOURNAL TUESDAY, AUGUST 23, 1994

# End the Welfare Delivery Monoculture

By STEPHEN GOLDSMITH

INDIANAPOLIS—Even if Congress and the president could find a magic bullet to end welfare as we know it, the gun that would fire the bullet—the traditional welfare delivery system—is in such a state of disrepair that misfires would be the order of the day.

I recently spent an afternoon working with intake officers in the county welfare department here. The caseworkers I spoke with were well-intentioned, dedicated and caring. But their comments were revealing. Although most caseworkers want to see their clients become self-sufficient, they stressed that their job is to figure out what benefits the people who come into the office are eligible for, and to make sure that the right amount of money gets to the right people with the fewest errors. This focus makes all the difference.

America Works, a private company that finds jobs for people on welfare, recently opened an office in Indianapolis. Its biggest challenge? Getting welfare offices to send it enough potential clients. The company has jobs lined up and waiting for workers, but it has received an average of just 20 referrals a month from local caseworkers. Meanwhile, Indianapolis has 4,000 families on welfare.

## Best Deal in Town

What are the consequences for the welfare office when welfare recipients don't find jobs? There aren't any. By reimbursing almost all administrative costs incurred by local offices while imposing no meaningful performance requirements, the federal government offers the best deal in town: The more you spend, the more you get. Don't worry about results.

No matter what reforms are passed at the federal level, they must be accompanied by reform of the delivery system. We need a competitive, performance-based system with many different providers. They must be paid for how many people they get out of the welfare system, not how many people they keep in it.

A useful model is school reform—government could "charter" local welfare offices, with pay based on performance. This could allow innovative private providers welfare to exist, take advantage of ex-

isting neighborhood-level institutions, and cause existing government welfare offices to produce results or go out of business.

With no penalties for failure and no rewards for success, you get cases like that of James Stokes. To the welfare system, Mr. Stokes was 492108552701, his case number. When the welfare office passed him off to the local unemployment office—the welfare office provided no job placement help of its own—Mr. Stokes took another number and waited in line. When an intake worker became available, Mr. Stokes would hand over his I.D. card, and would be assigned yet another number. If the

found Mr. Stokes a job as a line cook at a hotel restaurant, a position that the 28-year-old still holds almost a year later.

The immense variety of problems experienced by those who must at one time or another apply for welfare should be reflected in the delivery system. One size does not fit all. America Works gets paid for putting recipients in jobs. But there is a wide range of performance measures that could be employed. Depending on the desired outcome, government could reward charter welfare offices for every customer who obtains a GED, or for every teenage mother who attends school regularly, or

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*America Works has jobs lined up and waiting for workers, but it has received an average of just 20 referrals a month from welfare department caseworkers.*

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computer did not show any jobs for which Mr. Stokes appeared to be qualified, his visit would be dutifully logged in, and he would be sent on his way. If a match did occur, Mr. Stokes would receive a notice in the mail a few days later telling him to show up at a certain place at a certain time for an interview.

Explains Mr. Stokes: "I would have no idea what the job was, or who I was supposed to talk to, or how I was supposed to find transportation there." He was sent unprepared to interview for jobs that were often filled long before he arrived. He floated on and off welfare for eight years, and no one was held accountable.

Mr. Stokes's story is a real-life example of why "two years and out" fails as a reform unless the delivery system itself is changed. Mr. Stokes would continue to receive ineffective assistance in obtaining employment, while the federal government would continue to evaluate the performance of local offices based on such nonproductive measures as how many paperwork errors they make in a month. At the end of two years, he would either be denied benefits or, more likely, would be given a job at taxpayers' expense that offers him little chance of advancement.

Instead, Mr. Stokes found America Works. And in one week America Works

found Mr. Stokes a job as a line cook at a hotel restaurant, a position that the 28-year-old still holds almost a year later.

The Care Center, a nonprofit organization closely affiliated with a local church, is one such organization in Indianapolis. Cramped into a 90-year-old former school building adjacent to the church, the Care Center provides health care, shelter for the homeless and battered, counseling, child care, a kitchen, and a food pantry.

The director of the center, Ernie Medcalf, says he would be interested in contracting to provide welfare services because the Care Center's stabilizing influence in the neighborhood, its network through the church, and its understanding of the particular needs of the poor families in its neighborhood would make it a much better provider than government. He thinks he can do a superior job finding work for his neighborhood's welfare recipients and providing them with the support to keep working. And he is right. There are thousands of institutions like the Care Center in troubled neighborhoods across America. We natter about welfare reform while allowing these resources to go untapped.

What of the current employees of welfare offices? Although government is prob-

# opoly

ably the worst possible provider of welfare delivery services, existing government offices could be given the opportunity to participate in a diverse pay-for-performance system. To succeed, they would have to fundamentally change their mission and culture. But accountability and competition are powerful catalysts.

In Indianapolis we used such catalysts to dramatically improve our child-support collections. For 12 years, I served as county prosecutor, which made me responsible for collecting child support. Unlike welfare and virtually every other government operation, local child-support collection offices receive a small incentive payment from the federal government for performance: 6% to 9% of collections.

We decided to make two fundamental changes in our office to change our culture and our mission. First, we decided to treat mothers who were trying to collect child support as our customers. Second, and most important, teams of employees were given an opportunity for financial bonuses based on the amount of money they collected for their customers.

## Surge in Collections

Dozens of changes followed. We created evening and Saturday hours. We let our customers make appointments—we wanted to resemble a private law firm as much as possible. We tried virtually every enforcement technique we could find, and even invented a few new ones. We used "most wanted" lists. We held amnesty programs. We used credit bureau reports. We put liens on houses and cars. We intercepted everything from tax checks to lottery winnings. And in 12 years, collections went from \$900,000 per year to \$36 million. When you free good government employees from the bad systems they work in, miraculous things can happen.

The existing welfare delivery system is a well-meaning but misguided monopoly. Break it up, encourage new and innovative providers, pay for the right results, and more people like Mr. Stokes will become producers of wealth instead of recipients of welfare.

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*Mr. Goldsmith, a Republican, is the mayor of Indianapolis.*

# The New York Times Magazine

AUGUST 18, 1996 / SECTION 6

THE PRESIDENT HAS SEEN

~~Guests~~ [Boles]

8/21/96

any ideas in lieu of welfare?  
Concession ~~spend?~~ <sup>BC</sup>

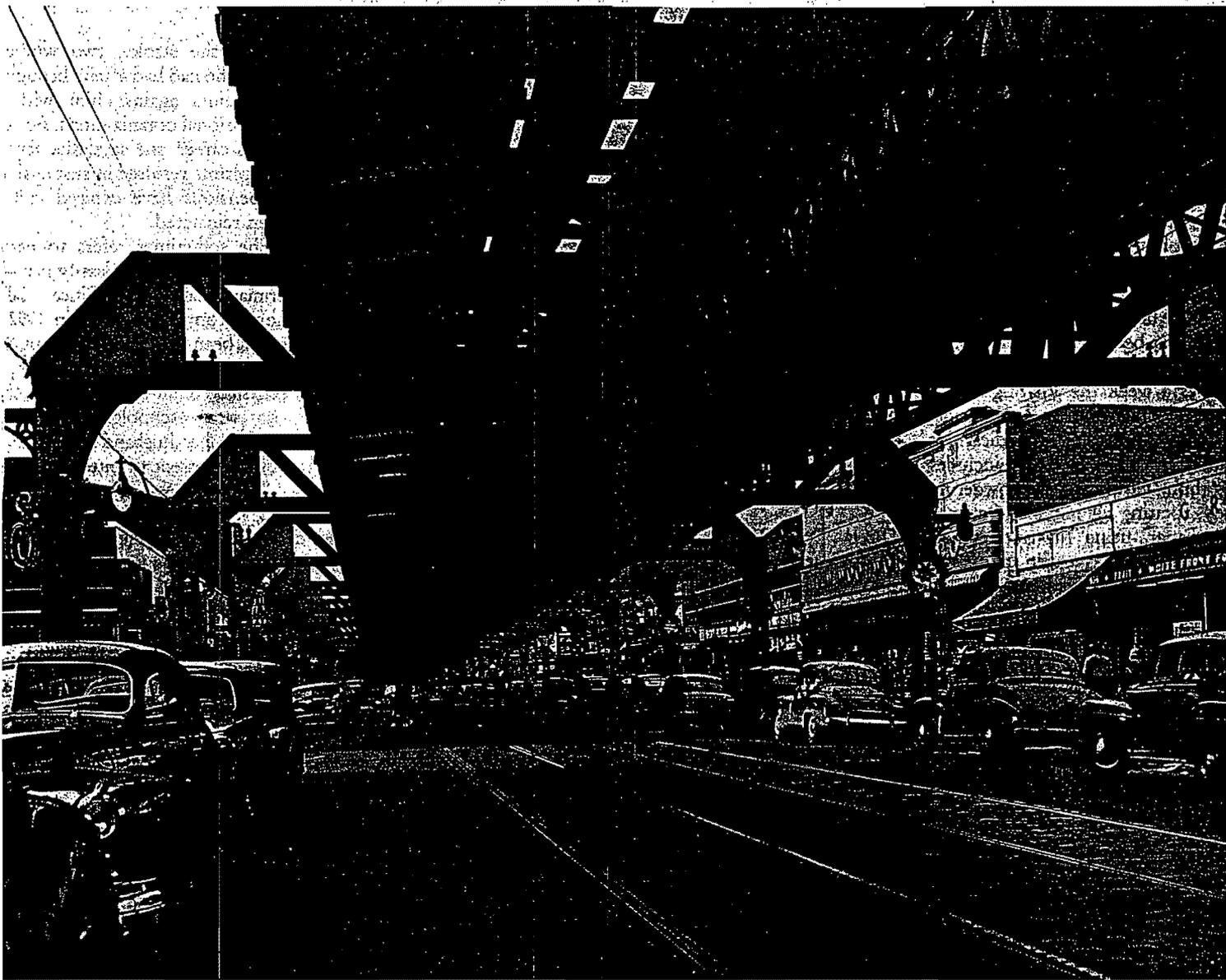
**T**HE ISSUE IS NOT WELFARE but the disappearance of work in the ghetto. The problem has now reached catastrophic



proportions, and if it isn't addressed it will have lasting and

harmful consequences for the quality of life in the cities and, eventually, for the lives of all

Americans. **WHEN WORK DISAPPEARS**



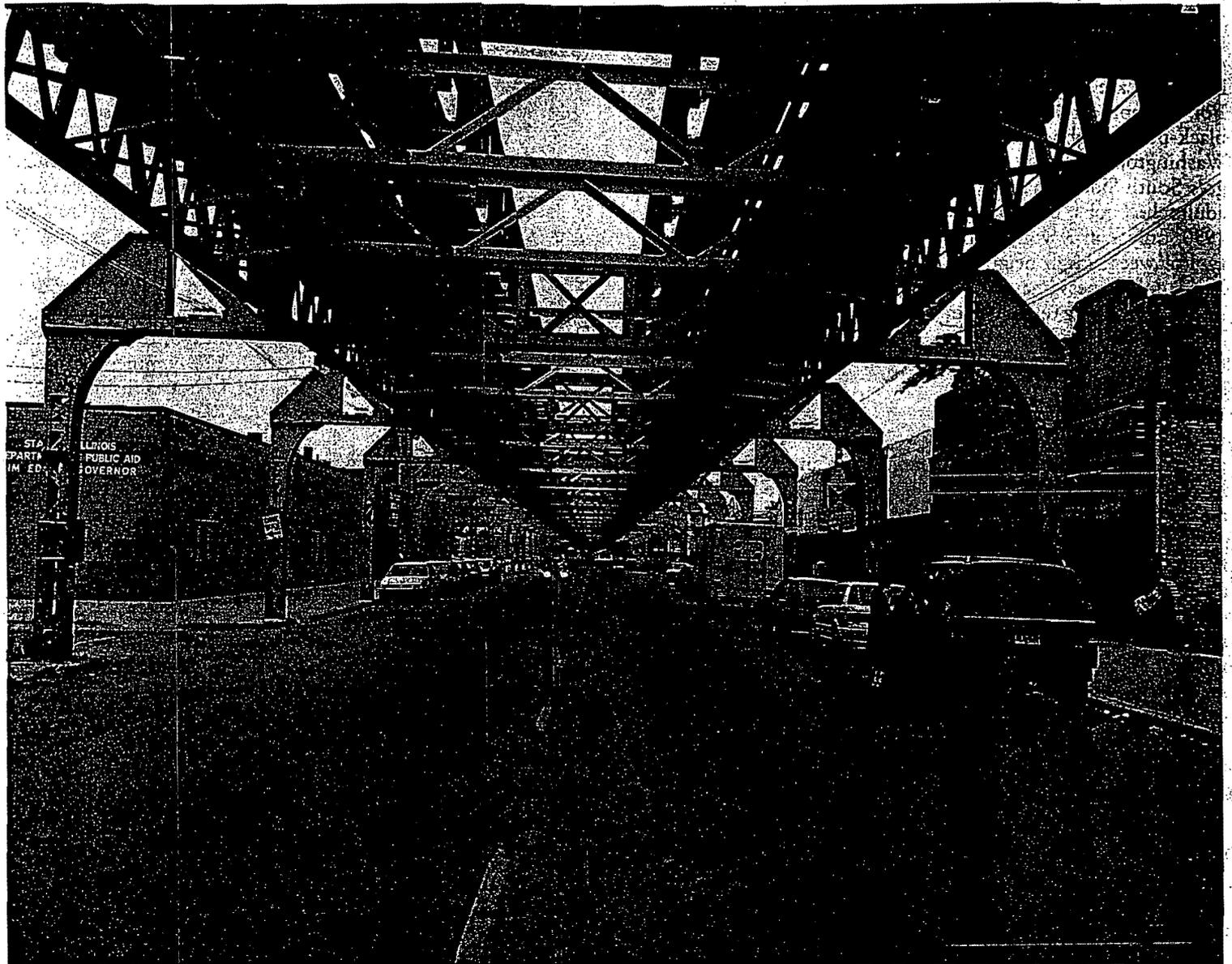
1946 Chicago's Woodlawn neighborhood once boasted more than 800 businesses.

What explains the catastrophic descent of  
America's ghettos into ever-deeper poverty and misery?  
The disappearance of jobs, says a leading scholar.  
What's the remedy?

# WORK

By William Julius Wilson

Photographs by André Lambertson



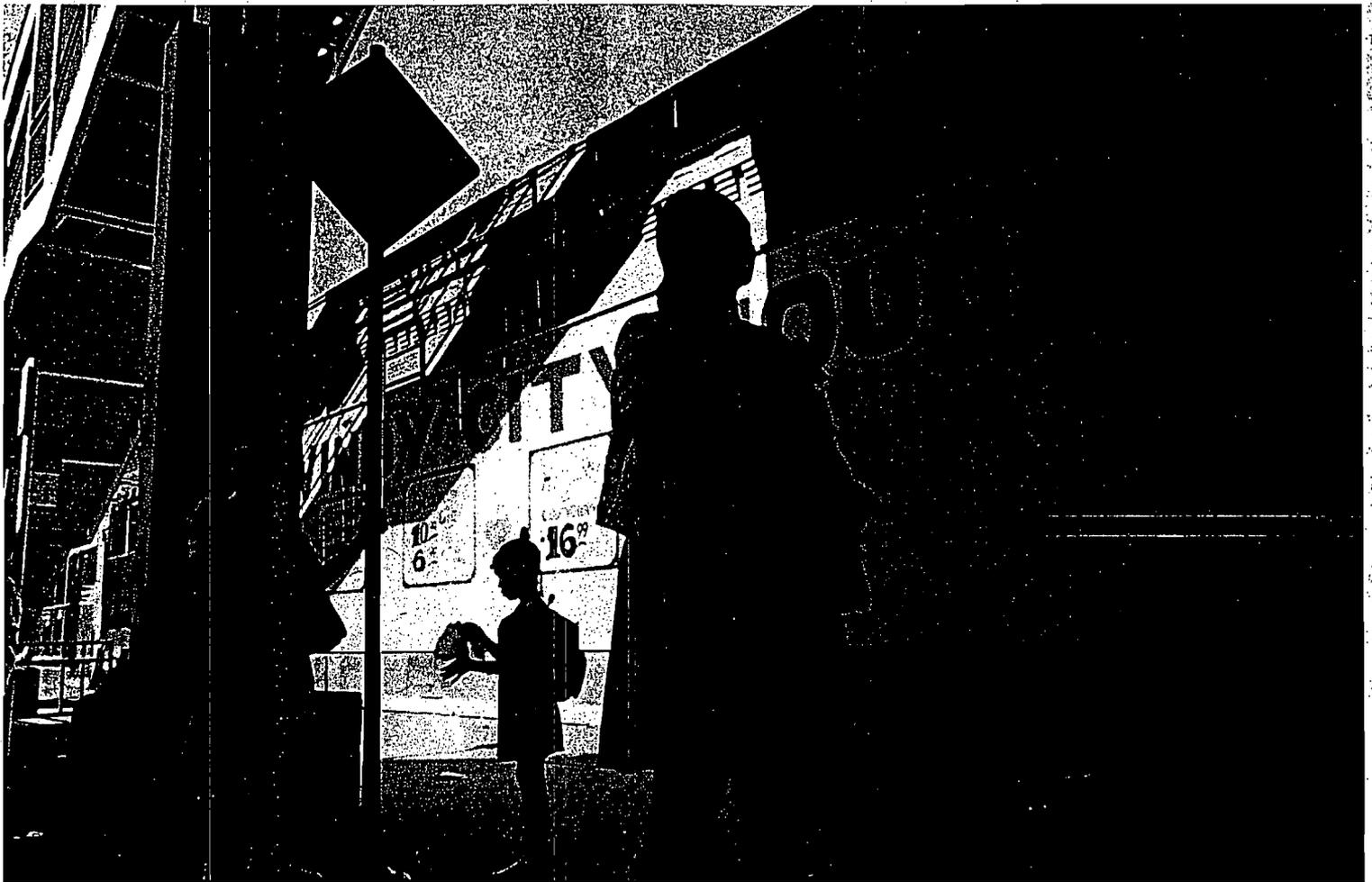
1996 Only about 100 businesses remain.

**T**he disappearance of work in the ghetto cannot be ignored, isolated or played down. Employment in America is up. The economy has churned out tens of millions of new jobs in the last two decades. In that same period, joblessness among inner-city blacks has reached catastrophic proportions. Yet in this Presidential election year, the disappearance of work in the ghetto is not on either the Democratic or the Republican agenda. There is harsh talk about work instead of welfare but no talk of where to find it.

The current employment woes in the inner city continue to be narrowly defined in terms of race or lack of individual initiative. It is argued that jobs are widely available, that the extent of inner-city poverty is exaggerated. Optimistic policy analysts — and many

African-Americans — would prefer that more attention be devoted to the successes and struggles of the black working class and the expanding black middle class. This is understandable. These two groups, many of whom have recently escaped from the ghetto, represent a majority of the African-American population. But ghetto joblessness still afflicts a substantial — and increasing — minority: it's a problem that won't go away on its own. If it is not addressed, it will have lasting and harmful consequences for the quality of life in the cities and, eventually, for the lives of all Americans. Solutions will have to be found — and those solutions are at hand.

For the first time in the 20th century, a significant majority of adults in many inner-city neighborhoods are not working in a typical week. Inner cities have



*Liquor stores and check-cashing places thrive in high-joblessness neighborhoods.*

residents, who then purposely intensify the behavior that is the source of irritation. The white and even the black middle-class moviegoers then exercise their option and exit, expressing resentment and experiencing intensified feelings of racial or class antagonism as they depart.

The areas surrendered in such a manner become the domain of the inner-city residents. Upscale business are replaced by fast-food chains and other local businesses that cater to the new clientele. White and black middle-class citizens complain bitterly about how certain areas of the central city have changed — and thus become “off-limits” — following the influx of ghetto residents.

The negative consequences are clear: where jobs are scarce, many people eventually lose their feeling of connectedness to work in the formal economy; they no longer expect work to be a regular, and regulating, force in their lives. In the case of young people, they may grow up in an environment that lacks the idea of work as a central experience of adult life — they have little or no labor-force attachment. These circumstances also increase the likelihood that the residents will rely on illegitimate sources of income, thereby further weakening their attachment to the legitimate labor market.

A 25-year-old West Side father of two who works two jobs to make ends meet condemned the attitude toward work of some inner-city black males:

“They try to find easier routes and had been conditioned over a period of time to just be lazy, so to speak. Motivation nonexistent, you know, and the society that they’re affiliated with really don’t

advocate hard work and struggle to meet your goals such as education and stuff like that. And they see who’s around them and they follow that same pattern, you know. . . . They don’t see nobody getting up early in the morning, going to work or going to school all the time. The guys they be with don’t do that . . . because that’s the crowd that you choose — well, that’s been presented to you by your neighborhood.”

Work is not simply a way to make a living and support one’s family. It also constitutes a framework for daily behavior because it imposes discipline. Regular employment determines where you are going to be and when you are going to be there. In the absence of regular employment, life, including family life, becomes less coherent. Persistent unemployment and irregular employment hinder rational planning in daily life, the necessary condition of adaptation to an industrial economy.

It’s a myth that people who don’t work don’t want to work. One mother in a new poverty neighborhood on the South Side explained her decision to remain on welfare even though she would like to get a job: “I was working and then I had two kids. And I’m struggling. I was making, like, close to \$7 an hour. . . . I had to pay a baby-sitter. Then I had to deal with my kids when I got home. And I couldn’t even afford medical insurance. . . . I was so scared, when my kids were sick or something, because I have been turned away from a hospital because I did not have a medical card. I don’t like being on public aid and stuff right now. But what do I do with my kids when the kids get sick?”

Working mothers with comparable incomes face, in many cases, even greater difficulty. Why? Simply because many low-wage jobs do not provide health-care benefits, and most working mothers have to pay for transportation and spend more for child care. Working mothers also have to spend more for housing because it is more difficult for them to qualify for housing subsidies. It is not surprising, therefore, that many welfare-reliant mothers choose not to enter the formal labor market. It would not be in their best



When jobs aren't available, drugs often fill the void.

economic interest to do so. Given the economic realities, it is also not surprising that many who are working in these low-wage jobs decide to rely on or return to welfare, even though it's not a desirable alternative for many of the black single mothers. As one 27-year-old welfare mother of three children from an impoverished West Side neighborhood put it: "I want to work. I do not work but I want to work. I don't want to just be on public aid."

AS THE DISAPPEARANCE OF WORK HAS BECOME A CHARACTERISTIC feature of the inner-city ghetto, so too has the disappearance of the traditional married-couple family. Only one-quarter of the black families whose children live with them in inner-city neighborhoods in Chicago are husband-wife families today, compared with three-quarters of the inner-city Mexican families, more than one-half of the white families and nearly one-half of the Puerto Rican families. And in census tracts with poverty rates of at least 40 percent, only 16.5 percent of the black families with children in the household are husband-wife families.

There are many factors involved in the precipitous decline in marriage rates and the sharp rise in single-parent families. The explanation most often heard in the public debate associates the increase of out-of-wedlock births and single-parent families with welfare. Indeed, it is widely assumed among the general public and reflected in the recent welfare reform that a direct connection exists between the level of welfare benefits and the likelihood that a young woman will bear a child outside marriage.

However, there is little evidence to support the claim that Aid to Families With Dependent Children plays a significant role in promoting out-of-wedlock births. Research examining the association between the generosity of welfare benefits and out-of-wedlock childbearing and teen-age pregnancy indicates that benefit levels have no significant effect on the likelihood that African-American girls and women will have children outside marriage. Likewise, welfare rates have either no significant effect or only a small effect on the odds that whites will have children outside marriage. The rate of out-of-wedlock teen-age childbearing has nearly doubled since 1975 — during years when the value of A.F.D.C., food stamps and Medicaid fell, after adjusting for inflation. And the smallest increases in the number of out-of-wedlock births have not occurred in states that have had the largest declines in the inflation-adjusted value of A.F.D.C. benefits. Indeed, while the real value of cash welfare benefits has plummeted over the past 20 years, out-of-wedlock childbearing has increased, and postpartum marriages

(marriages following the birth of a couple's child) have decreased as well.

It's instructive to consider the social differences between inner-city blacks and other groups, especially Mexicans. Mexicans come to the United States with a clear conception of a traditional family unit that features men as breadwinners. Although extramarital affairs by men are tolerated, unmarried pregnant women are "a source of opprobrium, anguish or great concern," as Richard P. Taub, a member of one of our research teams, put it. Pressure is applied

by the kin of both parents to enter into marriage.

The family norms and behavior in inner-city black neighborhoods stand in sharp contrast. The relationships between inner-city black men and women, whether in a marital or nonmarital situation, are often fractious and antagonistic. Inner-city black women routinely say that black men are hopeless as either husbands or fathers and that more of their time is spent on the streets than at home.

The men in the inner city generally feel that it is much better for all parties to remain in a nonmarital relationship until the relationship dissolves rather than to get married and then have to get a divorce. A 25-year-old unmarried West Side resident, the father of one child, expressed this view:

"Well, most black men feel now, why get married when you got six to seven women to one guy, really. You know, because there's more women out here mostly than men. Because most dudes around here are killing each other like fools over drugs or all this other stuff."

The fact that blacks reside in neighborhoods and are engaged in social networks and households that are less conducive to employment than those of other ethnic and racial groups in the inner city clearly has a negative effect on their search for work. In the eyes of employers in metropolitan Chicago, these differences render inner-city blacks less desirable as workers, and therefore many are reluctant to hire them.

The white chairman of a car transport company, when asked if there were differences in the work ethic of whites, blacks and Hispanics, responded with great certainty:

"Definitely! I don't think, I know: I've seen it over a period of 30 years. Basically, the Oriental is much more aggressive and intelligent and studious than the Hispanic. The Hispanics, except Cubans of course, they have the work ethic [sic]. The Hispanics are *mañana, mañana, mañana* — tomorrow, tomorrow, tomorrow." As for native-born blacks, they were deemed "the laziest of the bunch."

If some employers view the work ethic of inner-city poor blacks as problematic, many also express concerns about their honesty, cultural attitudes and dependability

**WHEN WORK DISAPPEARS:**

When I moved in the neighborhood was intact. It was intact with homes beautiful homes mini-mansions with stores Laundromats, with Chinese cleaners.

Continued on page 40

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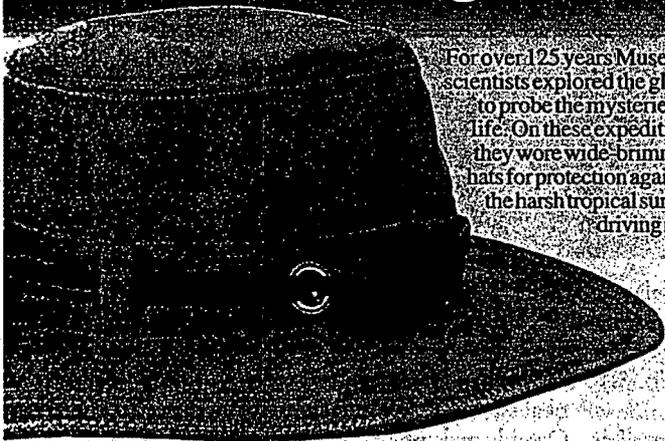
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### WORK

Continued from page 31

— traits that are frequently associated with the neighborhoods in which they live. A white suburban retail drugstore manager expressed his reluctance to hire someone from a poor inner-city neighborhood. "You'd be afraid they're going to steal from you," he stated. "They grow up that way. They grow up dishonest and I guess you'd feel like, geez, how are they going to be honest here?"

In addition to qualms about the work ethic, character, family influences, cultural predispositions and the neighborhood milieu of ghetto residents, the employers frequently mentioned concerns about applicants' language skills and educational training. They "just don't have the language skills," stated a suburban employer. The president of an inner-city advertising agency highlighted the problem of spelling:

"I needed a temporary a couple months ago, and they sent me a black man. And I dictated a letter to him. He took shorthand, which was good. Something like 'Dear Mr. So-and-So, I am writing to ask about how your business is doing.' And then he typed the letter, and I read the letter, and it's 'I am writing to ax about your business.' Now you hear about them speaking a different language and all that, and they say 'ax' for 'ask.' Well, I don't care about that, but I didn't say 'ax,' I said 'ask.'"

Many inner-city residents have a stronger sense of the negative attitudes that employers tend to have toward them. A 33-year-old employed janitor from a poor South Side neighborhood had this observation: "I went to a couple jobs where a couple of the receptionists told me in confidence: 'You know what they do with

these applications from blacks as soon as the day is over?' They say, 'We rip them and throw them in the garbage.'" In addition to concerns about being rejected because of race, the fears that some inner-city residents have of being denied employment simply because of their inner-city address or neighborhood are not unfounded. A welfare mother who lives in a large public housing project put it this way:

"Honestly, I believe they look at the address and the — your attitudes, your address, your surround — you know, your environment has a lot to do with your employment status. The people with the best addresses have the best chances. I feel so, I feel so."

IT IS INSTRUCTIVE TO study the fate of the disadvantaged in Europe. There, too, poverty and joblessness are on the increase; but individual deficiencies and behavior are not put forward as the culprits. Furthermore, welfare programs that benefit wide segments of the population like child care, children's allowances (an annual benefit per child), housing subsidies, education, medical care and unemployment insurance have been firmly institutionalized in many Western European democracies. Efforts to cut back on these programs in the face of growing joblessness have met firm resistance from working- and middle-class citizens.

My own belief is that the growing assault on welfare mothers is part of a larger reaction to the mounting problems in our nation's inner cities. When many people think of welfare they think of young, unmarried black mothers having babies. This image persists even though roughly equal numbers of black and white families received A.F.D.C.

Continued on page 48

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1994, and there were also a good many Hispanics on the welfare rolls. Nevertheless, the rise of black

A.F.D.C. recipients was said to be symptomatic of such larger problems as the decline in family values and the dissolution of the family. In an article published in Esquire, Pete Hamill wrote:

"The heart of the matter is the continued existence and expansion of what has come to be called the Underclass... trapped in cycles of welfare dependency, drugs, alcohol, crime, illiteracy and disease, living

in anarchic and murderous isolation in some of the richest cities on the earth. As a reporter, I've covered their miseries for more than a quarter of a century. . . . And in the last decade, I've watched this group of American citizens harden and condense, moving even further away from the basic requirements of a human life: work, family, safety, the law."

One has the urge to shout, "Enough is enough!"

**W**HAT CAN BE DONE? I BELIEVE that steps must be taken to galvanize Americans from all walks of life who are concerned about human suffering and the public policy direction in which we are now moving. We need to generate a public-private partnership to fight social inequality. The following policy frameworks provide a basis for further discussion and debate. Given the current political climate, these proposals might be dismissed as unrealistic. Nor am I suggesting that we can or should simply import the social policies of the Japanese, the Germans or other Western Europeans. The question is how we Americans can address the problems of social inequality, including record levels of joblessness in the inner city, that threaten the very fabric of our society.

**Create Standards for Schools**

Ray Marshall, former Secretary of Labor, points out that Japan and Germany have developed policies designed to increase the number of workers with "higher-order thinking skills." These policies require young people to meet high performance standards before they can graduate from secondary schools and they hold each school responsible for meeting these standards.

Students who meet high standards are not only prepared for work but they are also ready for technical training and other kinds of post-secondary education. Currently there are no mandatory academic standards for secondary schools in the United States. Accordingly, students who are not in college-preparatory courses have severely limited options with respect to pursuing work after high school. A commitment to a system of performance standards for every public school is

*Continued on page 5.*

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the United States would be an important first step in addressing the huge gap in educational performance between the schools in advantaged and disadvantaged neighborhoods.

A system of at least local performance standards should include the kind of support that would enable schools in disadvantaged neighborhoods to meet the standards that are set. State governments, with Federal support, not only would have to create equity in local school financing (through loans and scholarships to attract more high-quality teachers, increased support for teacher training and reforms in teacher certification) but would also have to insure that highly qualified teachers are more equitably distributed in local school districts.

Targeting education would be part of a national effort to raise the performance standards of all public schools in the United States to a desirable level, including schools in the inner city. The support of the private sector should be enlisted in this national effort. Corporations, local businesses, civic clubs, community centers and churches should be encouraged to work with the schools to improve computer-competency training.

### Improve Child Care

The French system of child welfare stands in sharp contrast to the American system. In France, children are supported by three inter-related government programs, as noted by Barbara R. Bergmann, a professor of economics at American University: child care, income support and medical care. The child-care program includes establishments for infant care, high-quality nursery schools (*écoles maternelles*) and paid leave for parents of newborns. The income-support program includes child-support enforcement (so that the absent parent continues to contribute financially to his or her child's welfare), children's allowances and welfare payments for low-income single mothers. Finally, medical care is provided through a universal system of national health care financed by social security, a preventive-care system for children

and a group of public-health nurses who specialize in child welfare.

### Establish City-Suburban Partnerships

If the other industrial democracies offer lessons for a long-term solution to the jobs problem involving relationships between employment, education and family-support systems, they also offer another lesson: the importance of city-suburban integration and cooperation. None of the other industrialized democracies have allowed their city centers to deteriorate as has the United States.

It will be difficult to address growing racial tensions in American cities unless we tackle the problems of shrinking revenue and inadequate social services and the gradual disappearance of work in certain neighborhoods. The city has become a less desirable place in which to live, and the economic and social gap between the cities and suburbs is growing. The groups left behind compete, often along racial lines, for declining resources, including the remaining decent schools, housing and neighborhoods. The rise of the new urban poverty neighborhoods has worsened these problems. Their high rates of joblessness and social disorganization have created problems that often spill over into other parts of the city. All of these factors aggravate race relations and elevate racial tensions.

Ideally, we would restore the Federal contribution to city revenues that existed in 1980 and sharply increase the employment base. Regardless of changes in Federal urban policy, however, the fiscal crisis in the cities would be significantly eased if the employment base could be substantially increased. Indeed, the social dislocations caused by the steady disappearance of work have led to a wide range of urban social problems, including racial tensions. Increased employment would help stabilize the new poverty neighborhoods, halt the precipitous decline in density and ultimately enhance the quality of race relations in urban areas.

Reforms put forward to achieve the objective of city-suburban cooperation range from proposals to create metropolitan governments to proposals for metropolitan tax-base sharing (currently in effect in Min-

neapolis-St. Paul), collaborative metropolitan planning and the creation of regional authorities to develop solutions to common problems if communities fail to reach agreement. Among the problems shared by many metropolises is a weak public transit system. A commitment to address this problem through a form of city-suburban collaboration would benefit residents of both the city and the suburbs.

The mismatch between residence and the location of jobs is a problem for some workers in America because, unlike the system in Europe, public transportation is weak and expensive. It's a particular problem for inner-city blacks because they have less access to private automobiles and, unlike Mexicans, do not have a network system that supports organized car pools. Accordingly, they depend heavily on public transportation and therefore have difficulty getting to the suburbs, where jobs are more plentiful. Until public transit systems are improved in metropolitan areas, the creation of privately subsidized car-pool and van-pool networks to carry inner-city residents to the areas of employment, especially suburban areas, would be a relatively inexpensive way to increase work opportunities.

The creation of for-profit information and placement centers in various parts of the inner city not only could significantly improve awareness of the availability of employment in the metropolitan area but could also serve to refer workers to employers. These centers would recruit or accept inner-city workers and try to place them in jobs. One of their main purposes would be to make persons who have been persistently unemployed or out of the labor force "job ready."

### Reintroduce the W.P.A.

The final proposal under consideration here was advanced by the perceptive journalist Mickey Kaus of The New Republic, who has long been concerned about the growth in the number of welfare recipients. Kaus's proposal is modeled on the Works Progress Administration (W.P.A.), the large public-works program initiated in 1935 by President Franklin D. Roosevelt. The public-works jobs that Roosevelt had in mind included highway construction, slum clearance, housing

construction and rural electrification. As Kaus points out: "In eight-year existence, according to official records, the W.P.A. built improved 651,000 miles of road, 953 airports, 124,000 bridges, viaducts, 1,178,000 culverts, 8 parks, 18,000 playgrounds and athletic fields and 2,000 swimming pools. It constructed 40,000 buildings (including 8,000 schools), repaired 85,000 more. Much of New York City — including La Guardia Airport, F.D.R. Drive, plus hundreds of parks and libraries — built by the W.P.A."

A neo-W.P.A. program of employment, for every American over 18 who wants it, would provide useful public jobs at wages slightly below the minimum wage. Like the work relief under Roosevelt's W.P.A., it would not carry the stigma of a cash dole. People would be earning their money. Although some workers in the W.P.A. jobs "could be promoted to high-paying public service positions," says Kaus, most of them would advance occupationally by moving to the private sector. "If you have work anyway," he says, "why work for \$4 an hour?"

Under Kaus's proposal, after a certain date, able-bodied recipients on welfare would no longer receive cash payments. However, unlike welfare-reform bills that Clinton agreed to sign, Kaus's plan would make public jobs available to those who move off welfare. Also, he argues that to allow poor mothers to work, government-financed care must be provided for children if needed. But this service has to be integrated into the existing system of child care for other families in the United States to avoid creating a "day-care ghetto" for low-income children.

A W.P.A.-style jobs program would not be cheap. In the short run it would be considerably cheaper to give public cash welfare than it is to create public jobs. Including the costs of supplies and materials, each subminimum-wage W.P.A.-style job would cost an estimated \$12,000, more than the public cost of staying on welfare. That would represent \$12 billion for every 1 million jobs created.

The solutions I have outlined were developed with the idea of providing a policy framework that could be easily adopted by a reform coalition. A broad range of groups would

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port the long-term solutions — the development of a system of national performance standards in public schools, family policies to reinforce the learning system in the schools, a national system of school-to-work transition and the promotion of city-suburban integration and cooperation. The short-term solutions, which range from job information and placement centers to the creation of W.P.A.-style jobs, are more relevant to low-income people, but they are the kinds of opportunity-enhancing programs that Americans of all racial and class backgrounds tend to support.

Although my policy framework is designed to appeal to broad segments of the population, I firmly believe that if adopted, it would alleviate a good deal of the economic and social distress currently plaguing the inner cities. The immediate problem of the disappearance of work in many inner-city neighborhoods would be confronted. The employment base in these neighborhoods would be increased immediately by the newly created jobs, and income levels would rise because of the expansion of the earned-income tax credit. Programs like universal health care and day care

## ANSWERS TO PUZZLES

OF AUGUST 11, 1996

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**MIXED SIGNALS** The following are the anagrams of the words in the clues. Across: 1. reverse 5. chore 9. ushers 10. hissed 11. Roman 12. sobs 14. spectrum 16. genuine 19. peers 21. harpists 24. raincoat 25. American 26. rose 27. sergeants. Down: 1. canoe 2. piecrust 3. pests 4. muralist 6. asleep 7. mattress 8. gardenia 13. recitals 15. Athens 17. quartets 18. Hardy's 20. ecru 22. attendant 23. waged.

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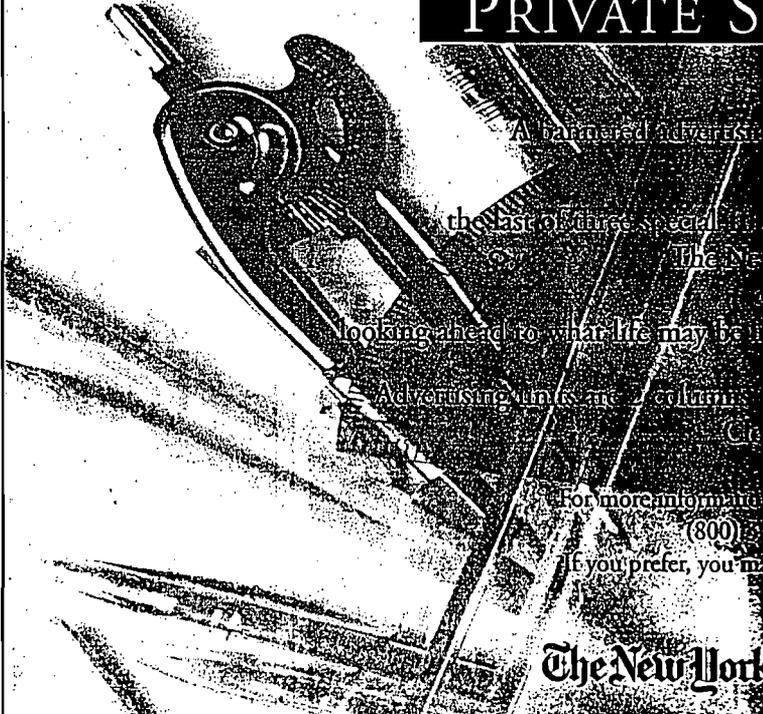


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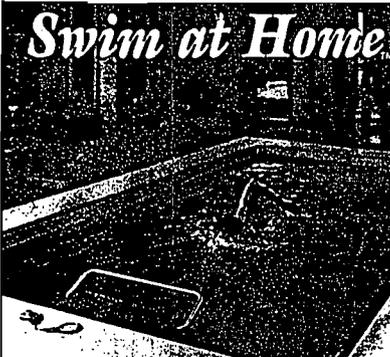
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would increase the attractiveness of low-wage jobs and "make work pay."

Increasing the employment base would have an enormous positive impact on the social organization of ghetto neighborhoods. As more people became employed, crime and drug use would subside; families would be strengthened and welfare receipt would decline significantly; ghetto-related culture and behavior, no longer sustained and nourished by persistent joblessness, would gradually fade. As more people became employed and gained work experience, they would have a better chance of finding jobs in the private sector when they became available. The attitudes of employers toward inner-city workers would change, partly because the employers would be dealing with job applicants who had steady work experience and would furnish references from their previous supervisors.

This is not to suggest that all the jobless individuals from the inner-city ghetto would take advantage of these employment opportunities. Some have responded to persistent joblessness by abusing alcohol and drugs, and these handicaps will affect their overall job performance, including showing up for work on time or on a consistent basis. But such people represent only a small proportion of inner-city workers. Most of them are ready, willing, able and anxious to hold a steady job.

The long-term solutions that I have advanced would reduce the likelihood that a new generation of jobless workers will be produced from the youngsters now in school and preschool. We must break the cycle of joblessness and improve the youngsters' preparation for the new labor market in the global economy.

My framework for long-term and immediate solutions is based on the notion that the problems of jobless ghettos cannot be separated from those of the rest of the nation. Although these solutions have wide-ranging application and would alleviate the economic distress of many Americans, their impact on jobless ghettos would be profound. Their most important contribution would be their effect on the children of the ghetto, who would be able to anticipate a future of economic mobility and harbor the hopes and aspirations that for so many of their fellow citizens help define the American way of life. ■

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To: Rahm

As the Senate begins formal consideration of welfare reform legislation, we must maximize the impact of the Administration's participation in any negotiations or discussions on key policy issues. Our success in shaping the Senate bill (and, ultimately, the measure sent to the President) will depend on timing and on the "inside/outside" strategy that we develop for key issues that are unlikely to be resolved in intra Senate negotiations.

Timing is essential. Premature signals that the Administration is too "hungry" for an agreement, or that the President will sign whatever Congress sends him, would undoubtedly harden the posture of the Senate Republican leadership. We also want to avoid squandering scarce political capital on ancillary issues that might still be resolved satisfactorily in bipartisan talks among Senators prior to the Senate Finance Committee mark-up.

One approach would be the following: first, use the two weeks prior to the Finance Committee markup to maintain and sharpen our public focus on a core set of issues. At the same time, we should continue privately to educate and provide technical assistance to key Senators and staff, and begin preparations for amendments on major issues like the automatic stabilizer, work provisions, etc. These activities will enhance pressure on Republican Finance Committee members who have not yet seen any kind of Dole/Packwood welfare blueprint. This also will provide a critical "window" for Democratic leaders to announce and position their alternative, and for Democratic Committee members to work out agreements with their Republican counterparts on a range secondary issues. Bipartisan agreements are possible in the areas of child protective services, SSI, child support enforcement, and even child care.

Once the contours of the Dole/Packwood markup plan -- as well as any bipartisan agreements on secondary issues -- are clear, we will be in the best position to fight or negotiate, as appropriate, on a select set of core issues. Resolution of these key issues would play out both in Committee mark-up and on the Senate floor, based on the issue and political considerations involved.

The advantages of this strategy are as follows:

1. As the Senate Republicans begin to make decisions about strategy and policy, we must avoid the appearance that the Administration is too eager to negotiate or willing to sign any welfare measure. Such signals could convince the Senate leadership that any negotiations are unnecessary, and that Senate Democrats can be "picked off" to support any Republican measure that they choose to move through the Senate.

2. This timing also ensures that we will not preempt the entitlement-based alternatives to be announced by Senate Democrats, or undercut any short-term political leverage that might accrue from these alternatives. We will also avoid a potential "trainwreck" with Senator Moynihan, who has yet to signal any interest in bipartisan discussions.
3. Perhaps most important, this strategy will provide a critical window for Senate Democrats to negotiate agreements on secondary issues, while we conserve the Administration's political capital for later discussions on major outstanding issues. By preventing Senate Republicans from "buying in" Senate Democrats and the Administration with the same deals early on, we increase the likelihood that they will be forced to negotiate with us later on core issues like funding, work provisions, etc. With much of the "underbrush" removed, we will be in better shape to frame and draw political contrasts on these issues as well. Should negotiated agreements fail to materialize, we will be in a better position to promote bipartisan amendments that achieve desired policy goals.

**ISSUE: How can one craft time limits, accountability, and work requirements within a context of considerable state flexibility?**

The goal is to create a system where persons cannot receive cash welfare beyond a certain point without working. But states need flexibility to adjust to individual needs and to exempt persons who cannot work due to disability, caring for a disabled child, etc.

Three options are presented. All of these options are consistent with the following description:

Time Limits and Work Requirements:

- Upon starting welfare recipients must immediately begin in job search, education or training, or work.
- Employable recipients may not receive aid for more than 2 years without working.

**Option 1: Overall participation standard, but what counts as adequate participation varies with duration on welfare:**

This option offers perhaps the most flexibility for states and would be the easiest to administer.

- o Set an overall participation standard which grows over time, perhaps starting at 20% and rising to perhaps 40%. All recipients are counted in the denominator.
- o Recipients who have received aid for less than two years count towards the participation standard if they are engaging in job search, training, education, or work for at least 20 hours per week.
- o Recipients who have received aid for more than two years count towards the participation standard if they are working in unsubsidized work, work supplementation, CWEP, or some other subsidized work program for at least 20 hours per week. [Query: does volunteer work count ala Michigan?]
- o Persons who have left welfare for work count as meeting the participation requirement for up to 12 months, so long as they remain off welfare. (Such persons appear in both the numerator and denominator).
- o States are free to set higher participation standards and work hours if they choose.

**Option 1B:** After 4 years, support would end, unless it was determined that there were no private jobs were available that the person could perform. To receive additional support, the adult must continue to work for the benefits received.

To ensure that the state did everything possible to try to move the person to work quickly, the federal match would decline by 25 percentage points for persons still receiving support after 4 years. The match would drop by 10% for each additional year the person remained on thereafter.

**Option 1C:** After 4 years, support for the adult would end. States would have the option of extending subsidized work beyond this time in cases where the state determined that no private jobs were available that the adult could perform.

**Option 1D:** After 4 years, support for the adult would end. States would have the option of extending subsidized work beyond this time for 10-15% of the caseload.

**Option 1E:** After 4 years, support for the family would end. States would have the option of extending subsidized work beyond this time for 10-15% of the caseload.

**Issue: What Absolute Time-Limits (If Any) Are Allowed or Mandated for Participants?**

Nearly all plans require that recipients who continue to receive aid beyond 2 years must work in order to continue receiving aid. But several questions arise. First, must a state guarantee a work opportunity after 2 years if the person reports they are unable to find work? Or can the state simply terminate aid at that stage? Second, after the state has provided work for a year or two, can aid then be terminated and under what conditions:

All bills have at least some common elements:

- Anyone who refuses a job or refuses to work at any time will be denied benefits. Persons who refuse to participate in mandatory work or training will lose benefits.
- After 2 years, traditional cash welfare would end. Adults would be required to work.

**Options after 2 years:**

**Option 1:** After 2 years of cash aid, if a person is unable to find an unsubsidized job, the state would use the money which would have been spent on a welfare check to create temporary subsidized employment, preferably in the private sector. Recipients who claim they are unable to find an unsubsidized job and who have not turned down a private sector job offer must be offered a temporary subsidized work opportunity.

**Option 2:** After 2 years of cash aid, states would have the option of offering either a subsidized work opportunity or a voucher to the recipient which is equivalent to some portion of the welfare grant which can be used by employers as a wage subsidy.

**Option 3:** After 2 years, states have the option of terminating recipients, regardless of whether or not they have found a job. Benefits could be terminated for the adult or for the entire family. If benefits continue beyond two years, support must be through a work opportunity as in option 1.

**Options after 4 years assuming option 1 is selected:** If Option 1 above is chosen, then similar questions arise 2 years later. Options include:

**Option 1A:** After 4 years, an intensive period of supervised job search would be required. Any person who turns down a private sector job offer or who failed to make a good faith effort to obtain a job would be terminated. Persons for whom private sector work was not available would continue to receive support, but only if they work for the benefits they receive.

[Could be worded as: After 4 years, support would end, unless it was determined that there were no private jobs were available that the person could perform. To receive additional support, the adult must continue to work for the benefits received. ]

**Option 2:** *Participation standard which applies only to a non-exempt group. What counts as adequate participation varies with duration on welfare*

This is similar to Option 1 except that a participation standard applies only to a group deemed employable. Since ill or disabled recipients and those caring for a very young or disabled child are excluded, participation rates can be set higher. It also allows one to contrast with plans which do not explicitly take account of disability. It would require federal definitions and auditing of what constitutes the exempt group.

- o Set an overall participation standard which grows over time, perhaps starting at 33% and rising to perhaps 50-60%. Recipients who are ill, disabled, caring for a disabled child or who have a very young child (under 1?) are exempted and are not counted in the denominator.
- o Recipients who have received aid for less than two years count towards the participation standard if they are engaging in job search, training, education, or work for at least 20 hours per week.
- o Recipients who have received aid for more than two years count towards the participation standard if they are working in unsubsidized work, work supplementation, CWEP, or some other subsidized work program for at least 20 hours per week.
- o Persons who have left welfare for work count as meeting the participation requirement for up to 12 months, so long as they remain off welfare. (Such persons appear in both the numerator and denominator).
- o States are free to set higher participation standards and work hours if they choose.

**Option 3:** *Explicit federal model. Under this plan the federal government would set a broad structure for program participation, and states could innovate within that structure.*

This provides less flexibility for states, but ensures that persons meeting a certain criterion will meet federal standards for participation and work. The chances for gaming by states are less, the need for federal oversight would be greater.

- o Certain recipients would have to enter the federally mandated program, here labelled "Work First".

- o States would have to meet participation standards for the number of persons in Work First, or particular phase-in strategies might be mandated. Ill and disabled persons and others could be excluded. In addition, persons in different components of
- o Upon entering the Work First program, recipients would be required to engage in job search, training, education, or work for at least 20 hours per week. High participation standards would be set (perhaps 40-50% or higher) for those in the Work First program. (This would be an expansion of the JOBS program today, with considerably higher participation rules among the non-exempt population.)
- o After a time limit of 2 years (or perhaps individually set at state option with a 2 year average for the Work First caseload) those still in the Work First program would have to engage in unsubsidized work, work supplementation, CWEP, or some other subsidized work program to continue receiving aid. Minimum hours could be set at 20 hours, the benefit divided by the minimum wage, or some other level. High participation standards would be set for this population as well.

## STATE FLEXIBILITY: OPTIONS

**Background.** Any credible welfare reform proposal at this point needs to incorporate considerably more state flexibility, so that states can tailor their own approaches to welfare reform without the necessity of going through the waiver prospect. Block grants are one way of providing state flexibility. Block grants raise serious concerns, however, for both states and families. It is possible to provide increased state flexibility within the framework of an uncapped individual entitlement.

**Option 1: Specify discrete arenas for state options.** Within the framework of the current law, states could be given options around those areas where states have indicated a desire for greater flexibility. State waiver requests have indicated a great deal of interest in state flexibility in the following areas:

- o earnings disregards, to provide more incentive for working;
- o two-parent provisions, to allow states to serve working two-parent families;
- o asset and vehicle limitations, to allow families to own a workable car and to accumulate savings;
- o family caps;
- o incentives for good behavior; e.g., immunization, school attendance;
- o changes in income definitions, eligibility rules etc. to increase coordination with Food Stamps;
- o sanction regimes for non-cooperation with JOBS or work rules.

The approach of identifying specific areas of state flexibility was incorporated into the WRA and the Deal bill. It has the advantage of clarity about what actually is allowed, and allows for both reasonable estimation of costs and the possibility of federal monitoring. It has the disadvantage of keeping in place a basically prescriptive framework, and of not being perceived as real change in the federal-state relationship.

**Option 2: Rewrite Section IV-A.** An alternative approach is to remove many of the current restrictions on states that were incorporated over the years into IV-A, and replacing them with a much streamlined set of assurances and performance measures. This approach would repeal most of the federal mandates defining eligibility, income and assets.

Sections repealed would include: 402(a)7-8, 11-14, 17-18, 21-24, 28, 31-32, 34-36, 38-42, and 44; 402(e), 402(h), 402(i), 403 (major portions), 401 (major portions), 407, 409, 410 and 412. The remaining sections would be revised and simplified. Retained would be requirements for a statewide program, a state match, serving all eligibles (402(a)10), fair hearings (402(a)4), a

child protection program, child support enforcement, provision of family planning information, a JOBS or work program, automated systems, reasonable reporting and a few other things.

In addition, states would be required to assure whatever is decided about work requirements and time limits, and to meet any performance standards that were agreed on.

This approach provides more flexibility than the approach above, and is likely to be perceived as providing much more flexibility. It has the great advantage of preserving the individual entitlement and protecting the states, within the context of a highly flexible system. It has the disadvantage of uncertainty, both about what states will do and about how much it will cost. The cost uncertainty might be especially problematic, since this approach is likely to open up unanticipated opportunities for the states to shift costs to the federal government.

**Option 3: Return to 1950.** A variant on the above approach is to start with the set of state plan requirements that were in place early in the program and build up from there. The original 1935 law was constructed as a uncapped entitlement to states with federal reimbursement up to a per case maximum. The individual entitlement was added in 1950 to what was still a very short and simple law, making that version of the IV-A an interesting place to start.

One would need to add to the 1950 list of state plan requirements assurances and standards related to child support and to work. One question is whether we would also want to return to the 1950 funding structure, which reimbursed benefits up to a max and reimbursed administration at 50 percent. I'm not sure there's any benefit to this.

This option has basically the same advantages and disadvantages as the previous option. It has the additional advantage of a historical root in the Social Security Act.

**Option 4: Ensure federal cost-neutrality.** A serious problem with all of the above approaches to state flexibility is that they have the potential for increasing federal spending. Option 1 can be costed, but requires making assumptions about state take-up, and generates estimates of substantially increased federal cost for most of the options. Options 2 and 3 are almost impossible to cost. The cost problem may be more a problem of estimating and CBO scoring than of actual cost. Evidence for that is the number of states that are doing waiver demos, many with substantial expansions of earnings and asset disregards and of services, under a requirement of federal cost neutrality. But it is a problem that has to be solved.

Block grants obviously solve this problem very cleanly. Another approach is to establish a per case maximum, as IV-A did up until 1968. But this doesn't speak to some of the important issues,

including the costs of diversion or the costs of increased earnings disregards. A third approach would be to make use of the cost-neutrality procedures that we have used in granting waivers, either a baseline (HCFA) or a control group (ACF).

April 4, 1995

MEMORANDUM FOR LAURA TYSON

FROM: Heather Ross

SUBJECT: Welfare Reform

The President will meet with Senate Democrats tomorrow to talk about welfare reform. Some members are hoping to maintain a federal entitlement to welfare a la AFDC, while others are either 1) receptive to block grants or 2) inclined to think they are inevitable. Others are more focussed on medical care, children's services (foster care, adoption) or nutrition than on welfare per se.

In the midst of this, there could be common ground -- with elements of entitlement, block grant and attention to children. That is the idea behind the attached proposal. It is more in the nature of a political and structural bridge, as opposed to what is arguably a cliff in the House-passed "Contract" version.

In trying to find a way forward tomorrow, some exploration of possible middle grounds like this could be rewarding. Otherwise we are more vulnerable to getting what economists politely call a corner solution.

cc: Gene Sperling  
Paul Dimond  
Carol Rasco  
Bruce Reed ✓  
Jeremy Ben Ami  
Alice Rivlin  
Ken Apfel  
Martha Brophy

## FEDERAL/STATE WELFARE REFORM

### I. Objective.

Provide a middle-ground combination of federal entitlements to individuals and block grants to states as a bridge from the current AFDC system to a future more oriented to adult work, child wellbeing and state authority.

### II. Structure.

A front-end endowment for individual adults, unemployment credits for adults between jobs, and state-run backstop program for adults with children who exhaust their endowment and credit benefits.

#### A. Individual Endowment.

Maximum two-year-per-lifetime entitlement to benefits in form of cash stipend and work-oriented array of services, latter provided directly or by voucher.

#### B. Unemployment Credits.

Same benefits as entitlement, available in 26-week tranches to those who have earned them in regular private sector employment.

#### C. State Backstop.

Discretionary state assistance program for parents/guardians who have exhausted entitlement benefits. Federal block grant support for state programs that are predicated on supercare -- all-hours day care providing wholesome environment (nutrition, healthcare, socialization, learning, recreation...) for needy children. Ancillary benefits -- stipend, services -- to parents/guardians of children in care, as state chooses.

### III. Rationale.

A. Entitlement endowment plus credits establish national one-time, front-end "hand up" followed by an ongoing unemployment-insurance-like system.

Emphasises individual empowerment and responsibility in preparing for and getting an initial job; addresses

subsequent chronic churning in the low-wage labor market by adopting a familiar UI approach that expresses society's work expectations and parallels arrangements available to the population generally; makes a time-limited element a natural feature; sets an initial national baseline, keeps the federal government directly interested in the size and fate of the recipient population, and provides surge capacity, including cyclical buffer, for new entrants into the system; immediately and unequivocally ends welfare as we know it.

B. State supercare-based backstop allows state to tailor any continuing assistance to those for whom federal entitlement has not been enough to achieve self-sufficiency in the local market.

Places only one mandated obligation on states for receipt of block grant funds -- first resources go to children; reverses the current concept of day care as an enabling adjunct to adult employment and makes it the centerpiece, and premise, of state assistance; recognizes the importance of children to society's future, the formative influence of early childhood experience, and the consensus view of children as innocent victims of the welfare wars; provides efficient logistical centers for the administration of both child and adult elements of state programs, including work-related activities for adults and potentially greater care for clearly abused or neglected children.

C. Federal-state combination recognizes legitimate role for both national-standard entitlement and state-tailored support, provides logical sharing of responsibilities and funding, builds on joint strengths of the federal system, offers a built in two-year transition for states to get their backstop programs up and running, and represents a prudent first step away from the present system which can be revisited in the future and adjusted as appropriate toward greater or lesser devolution based on experience.

D. Three-part structure provides useful degrees of freedom in targetting resources and arranging incentives. [Like UI, unemployment credits are payable only to those who are not working; they are not a low-wage supplement, a role reserved for EITC.] Total funding can be geared to amount of saving or further investment desired by respective levels of government. Structure itself is neither generous nor ungenerous, but capable of efficiently allocating whatever funds from whatever pockets are available.

Bruce Reed

FYI - per discussions.

Doug Steiger/OMB

## Welfare Reform and Performance Partnerships

This memo lays out some of the central policy questions that should be addressed when reviewing performance partnership approaches to AFDC. It is intended to focus initial discussions and help determine which areas would benefit from more extensive analysis.

**Goals.** AFDC's goal is to encourage the care of children in their own homes or the homes of relatives.

- Would it be changed to "reduce illegitimacy, control welfare spending, and reduce welfare dependence" (the PRA definition)?
- Should States have to keep a minimum safety net for children? (If so, what would this be?)
- Or is Food Stamps the only minimum safety net?

### *State responsibilities.*

- Can States end assistance when they have not established paternity and obtained child support payments?
- Can States time-limit benefits when they did not first put the recipients into welfare-to-work programs?
- Must States continue to ensure that families leaving AFDC for work have access to child care assistance and health coverage?
- Must States provide the same assistance and services statewide?
- Must States determine eligibility timely, and must they follow due process when caseworkers and recipients disagree?
- What information must States provide the Federal government? How will that information affect the flow of Federal funds?

### *Interplay with Other Entitlements:*

- **Food Stamps.** Will the relationship between AFDC and Food Stamps be changed? States could increase annual Food Stamp costs by \$3 billion to \$5 billion by cutting AFDC benefits and/or converting them to in-kind assistance.
- **Foster care.** AFDC supports as many children away from their parents as Foster Care. Could States shift these children to Foster Care (assuming it remains an entitlement)?
- **Medicaid.** Would AFDC remain a gateway to Medicaid and other programs? Would States be allowed to modify AFDC benefit rules to leverage Federal Medicaid matching funds?

### ***Money Flows:***

- ***Allocation of funds.*** A performance partnership distributing funds based on historical spending would give some States (e.g., Michigan, California, New York, Wisconsin, and Massachusetts) more money than southern States because they *used to spend* more State funds to help poor people. Population has been shifting south and west for years; should Federal funds continue to shift with the population?
- ***Economic change.*** AFDC caseloads were stable for 15 years before the last recession, then increased 30%, and are declining now. How would economic problems of this magnitude be dealt with? Single mothers are often the first to lose jobs in a recession and the last to get rehired. To be timely and responsive to economic conditions, an adjustment factor other than unemployment rates would be needed. Could Food Stamp applications be a proxy?
- ***Administrative costs.*** Would States be allowed to shift administrative costs to Food Stamps and Medicaid? If these costs were also part of a performance partnership, how would possible increases in Food Stamp error rates be compensated? Would there be a limit on the percentage of funds that could be spent on administration?

### ***Performance rewards and sanctions.***

- ***Rewards.*** Under current matching rates, States that do a better job accomplishing the statutory goal of supporting children get higher Federal funding. Would this reward be ended? Would there be higher Federal funding for States that post good achievements in other areas of the system, such as moving aid recipients to work or collecting on child support orders? If so, which ones?
- ***Sanctions.*** The current AFDC sanction systems has not been effective -- despite billions in State overpayment liabilities under quality control, little has been collected. Given that record, is it reasonable to expect better success with any sanctions in a new system? If sanctions are to be a tool, which features would they apply to? Failing to provide basic support? Poor quality control? Failures to provide specified required services?
- ***Measures.*** How soon will performance measures be available? What level of accuracy can we expect? Are they vulnerable to "gimmicking"? Do they avoid counter-productive effects? Involve burdensome collection efforts? How would secular social and economic changes be taken into account?

EXECUTIVE OFFICE OF THE PRESIDENT

06-Jan-1995 04:37pm

TO: Jeremy D. Benami  
FROM: Bruce N. Reed  
Domestic Policy Council  
SUBJECT: WR Plans

How about this for a plan:

AFDC is still funded on entitlement basis, either directly to individuals or to states based on number of eligible individuals.

States get to define whose eligible -- income levels, earnings disregards

States can impose whatever time limits and work reqts they like, so long as everyone who can work is working in some fashion within two years.

-- States can design their own behavioral expectations in terms of personal responsibility, their own definition of work/community service, their own incentive systems, their own sanctions policies. Mandatory national reqts would be paternity cooperation, minor mothers live at home and finish school.

-- Remove all limits on work supp, so that states can make unlimited use of work supplementation from AFDC and food stamp cashout to create private sector jobs.

Block grant JOBS and WORK \$\$ (and child care??) to states on simple formula based on percentage of caseload that is working.

Such a plan would get the incentives right -- states would be rewarded for moving people into work, esp. private sector work. States would have enormous flexibility without pulling rug out from under the poor.

Unresolved questions:

-- Can we do anything more to create a market for America Works/outcome-based providers? Require states to offer private sector placement alternative?

-- End of the line: We could just go along with GOP notion that after 5 years, adult portion is sanctioned -- but try to stave off the idea that states could cut families off completely after 2 yrs. Allow absolute cutoff only for noncooperation?

January 25, 1995

## **JOB PLACEMENT VOUCHERS: A PROGRESSIVE ALTERNATIVE TO BLOCK GRANTS**

*Ed Kilgore and Lyn A. Hogan*

### ***Refocusing Welfare Reform on Work***

The national welfare reform debate should focus on how to move recipients from dependence on public assistance into work in private-sector jobs. That focus has all but been lost since the November elections. Less central issues have captured the lion's share of attention, including the effect of welfare on illegitimacy and mechanisms for "devolving" administrative responsibility for welfare away from micromanagement by Washington. But the key to genuine welfare reform remains *work*, and none of the outstanding proposals supplies a practical solution.

Last year's Clinton Administration proposal supplied an incentive to work through a time limit on cash assistance, but maintained and even expanded an ineffective education and training system that recipients would go through before work is expected. Past Republican proposals including the bill based on the Contract With America, also imposed a time limit and insisted on immediate work, but provided no mechanism for linking recipients with private jobs, implying a vast public jobs program. The latest Republican congressional leadership proposal evades the issue by shifting the problem to the states, with no framework for welfare reform whatsoever.

The Progressive Policy Institute (PPI) now offers a proposal that refocuses the debate on welfare-to-work, and creates a specific, nonbureaucratic mechanism to radically change the incentives of the current welfare system and quickly move recipients into private-sector employment. The proposal calls for a complete overhaul of the welfare system to make rapid placement and retention in private jobs the overriding objective for both the government and the recipient, with an emphasis on immediate job placement wherever possible. More specifically, PPI proposes the use of state-issued "Job Placement Vouchers" that would be given

directly to recipients to tap (and build) a growing competitive market of public agencies and private firms providing placement and support services.

Existing public subsidies for welfare recipients would be used to finance the new system. Match rates for employment and training dollars would become performance-based, with placement and retention of recipients in private jobs, not participation levels, the key to enhanced federal funding. Use and design of Job Placement Vouchers would be a state option, but states that adopted this approach would retain the savings in reduced costs. In a full-fledged application of the voucher approach, state welfare bureaucracies could be transformed into agents for job placement in two ways: by the performance incentives accompanying the federal funds, and by direct competition with private providers for voucher benefits. It is assumed that states would be allowed to impose a time limit on cash assistance, and an "outside" time limit on public subsidies, to reinforce the individual's incentive to go to work.

This proposal would firmly commit the federal government to a clear strategy for welfare reform, based on the principle that work experience is the best path to permanent private employment. *It would also spur a more serious devolution of power than any block grant proposal, leapfrogging both federal and state bureaucrats to place resources in the hands of the actual recipients in a competitive job placement market, while giving each state the flexibility to tailor the new system to its particular economic and social circumstances.*

Job Placement Vouchers would reduce the cost of welfare-to-work programs by cutting out bureaucratic intermediaries between the recipient and private labor markets. But more importantly, the proposal is aimed at significantly cutting long-term public costs by moving those on public assistance into productive private-sector jobs. A strong federal commitment to a feasible job placement strategy is much more cost-effective than any short-term block-and-cut approach that abandons fiscal responsibility for the welfare population without supplying incentives to work.

### ***Specifics of a Voucher System***

- ▶ Each recipient would sign an employability contract upon entering the AFDC system and would receive a voucher after undertaking job search
- ▶ Recipients would have access to an array of job placement and work experience services
- ▶ State boards would accredit service providers and publish names and descriptions of the providers

- ▶ Service providers would redeem vouchers only upon successful job placement and retention
- ▶ Existing public subsidies would gradually be converted to vouchers
- ▶ Match rates for employment and training dollars would become performance-based
- ▶ States would keep savings realized from implementing a voucher system
- ▶ States also could convert post-welfare public employment dollars and General Assistance resources into vouchers

A Job Placement Voucher system would immediately shift the emphasis of welfare from income maintenance to work. Before receiving a voucher, every welfare recipient entering the AFDC system would first sign an employability contract and search for a job. Only if the initial job search proves unsuccessful, would a recipient receive a Job Placement Voucher. Once in the hands of the recipient, a voucher would offer quick access to placement and support agencies such as New York's America Works, Cleveland Works, and the Good Will Job Connection in Sarasota, Florida; temporary private-sector work experience supplied by employers; state-run welfare-to-work programs including JOBS programs; microenterprise training programs; and other employment-based services.

States would develop a list of service providers—placement agencies, private employers, employment-based JOBS programs, etc.—available to welfare recipients once they have applied for public assistance and undertaken a job search. Recipients would use the lists to make their service choices.

Payment to public and private placement agencies, employers, and other approved employment programs would be based on performance only. Vouchers for the public and private sector alike would be redeemed in full only after an organization had successfully placed the recipient in a full-time unsubsidized job for a set period of time to be determined by the states.

As noted earlier, existing public subsidies for welfare recipients would be used to finance the new system. Match rates for employment and training dollars would become performance-based, with placement and retention of recipients in private jobs, not participation levels, the key to enhanced federal funding. States that adopt a voucher system would retain the savings.

Finally, Job Placement Vouchers should not be limited to AFDC recipients. The states should also be encouraged to convert post welfare public employment dollars and General Assistance resources into Job Placement Vouchers. Wherever possible, vouchers should be used to place in jobs not only the women on AFDC but the men on General Assistance.

BWCE

## PLAN TO END WELFARE

This proposal ends the welfare (AFDC) program as we know it. It combines elements of the health care and welfare reform proposals currently on the table to enable states to offer any income-eligible family a package of health care, child care and the EITC in the place of a cash assistance program.

States would be required to establish two programs in place of AFDC: first, a very limited (one quarter to one third the size of AFDC) income support program for families headed by parent(s) who cannot work, and, second, a support program for low income working families providing them with health care, child care, and easier access to the EITC. The work support program would include a temporary cash support available only if no work is available and, at state option, limited income supplements to low income working families.

### PROGRAM #1 - INCOME SUPPORT FOR THOSE UNABLE TO WORK

States must establish income support programs for mothers who cannot work for as long as the state certifies that they cannot work.

Program enrollment limited to one-third the number of families on AFDC at its peak over the last five years.

- disabled, but not SSI - for as long as they cannot work
- caring for disabled child
  - o should consider interaction here with SSI kids program
- child under one; subsequent child for 12 weeks
- No time limit. Benefits, conditions at state discretion

### PROGRAM #2 - WORK SUPPORT

For parents judged able to work by the state. One or both parents do not qualify for Program #1

#### A. Basic Work Support Package: Health care, child care, EITC

State MUST provide work support package to any family where one parent has a job for at least 30 hours a week - total family income \_\_\_% of poverty

#### - Detail:

- HC: - all kids below \_\_\_% of poverty covered per HC proposal if parent employed or temp. unemployed
- adult covered for up to two years through HC proposal; after that must either get coverage

- CC: - through employer or purchase
  - block grant child care \$
  - expand \$ with AFDC savings (state can claim in child care up to amt it used to spend on AFDC - total CC + PROGRAM #1 + PROGRAM #2 = AFDC)
- EITC - allow more than the three state demo of direct pmt by state OR simply provide assistance in filling out forms

**B. Temporary Income Support**

State MUST provide temporary income support for up to three months a year to families where the parent(s) is/are able to work and cannot find a job. Eligibility and assistance levels to be set by the state.

After three months, state MUST either (1) offer a job - private or public sector or (2) extend temporary payment until job offer can be found. Job offer must be reasonable.

State MAY impose any requirements it wants on cash payments after three months - including work, training, etc.

**C. Additional cash assistance to working families**

State MAY provide additional income support to working families below \_\_\_ % of poverty. Income, asset tests at state discretion as well as levels of payments and duration.

\*\*\*\*\*

**COST/BUDGET**

Capped Entitlement State may claim annually for PROGRAM #1, PROGRAM #2 and CHILD CARE up to the amount previously claimed under IV-A (AFDC, admin, JOBS, and child care) AND CCBG.

Escape Clause The proposal would include an appropriate trigger based on unemployment in the state that would allow the state to claim more. [I seem to remember that this sort of an escape clause was not scoreable since OMB/CBO do not recognize economic effects.]

Health Care The coverage expansions for kids and for Medicaid transition would be financed as proposed by the health care reform team.

## ISSUES

### WR Fraud

- Those who commit serious crime while on AFDC lose future eligibility
- No welfare for prisoners, fugitives, or parole violators (brady bill waiting period)
- No welfare for those who fail drug test (mandatory treatment)

No Medicaid coverage of fertility drugs

Work requirements for fathers (antidote to cutoff mothers)

Paternity requirements for food stamps, housing, EITC

Phase-in flexibility (o/w births)

### Group Homes

- Lieberman bill: state option?

### Other teen pregnancy

- fix with Moynihan's help
- no housing for minor mothers

### Consolidation/REGO

- Paperwork reduction, standardized forms (Nathan)
- Waiver process/authority
- Consolidation of training programs (reemployment)
- Performance stds, placement bonuses

### Other Design questions

- Incentives and perf stds; placement bonuses, charter offices, changing the culture (CEA)
- child care work slots
- Job-ready -- require to work sooner; express track (eg go off for 2 yrs after 9 mos)

HOUSING - CISNEROS

# Guyol

111 Virginia  
Waxahachie, Texas

January 18, 1995

Bruce Reed  
Deputy Assistant to the President  
Old Executive Office Building  
Washington, D. C. 20500

FAX: 202 456-7739

Dear Mr. Reed:

Ms. Regina Montoya, here in Dallas, encouraged me to submit this proposal to you. I was emboldened to contact her because of an abiding desire to see President Clinton succeed, preferably by beating back the fools with his own (better) ideas and agenda. I was a member of the Clinton Team and have become concerned that his original very good intentions appear to be losing ground in all the commotion.

If the idea described below is as good as I think it is, and if you and the President believe it to be worthy of pursuit, I offer it to you free, gratis, no strings attached, to be appropriated, adopted, updated, and/or whatever else you care to do with it.

I received AFDC many years ago, when I was a single parent. I wanted to be at home with my children while they were very young, rather than turn them over to daycare to be "raised" by someone else. The program worked for me; I was able to use the assistance well, start my own business, and become self-supporting. I couldn't have done it without the help, and it was not an easy time. My children's father received student loans while he was in college, and I used to wish there were such a thing for single parents.

This little bit of background is to help you understand the proposal and the significance it could have in the effort to get people off of welfare and into productive lives. I call it the Temporary Assistance Loan Program, but of course it could be called just about anything; it is modeled after the federal student loan program that has helped so many Americans obtain a college education.

AFDC consists of financial aid, medical care and food stamps. This proposal is to replace the financial grant with a Temporary Assistance Loan. In the case of a single mother of two children, for example:

The applicant would meet with the intake social worker more than once, as is presently done. By the end of the intake process, she would be required to submit a plan for becoming self-sufficient, and that plan would become an informal contract with the State: written up and signed, with a copy placed into the file. Since her youngest child is three, she might submit a 2 1/2-year plan, requesting assistance until that child enters kindergarten and detailing her planned preparations, including training or formal education, for supporting herself after that. With the help of her social worker she would plan for full-time work with child care, or part-time work, or perhaps a home-based business. Together they would design a workable plan, and agree on an end date for the assistance loan.

Six months after the end of the loan period, she would be required to begin repayment of the loan. She could reduce the amount due, as student-loan recipients do, by teaching or other public service work. Her payments, when they do begin, might be \$50 a month or some greater amount, depending on her income.

Proposal for Temporary Assistance Loans

January 18, 1995 - Page 2

ADVANTAGES, IN BRIEF:

The end of the "dole." Those receiving assistance would be required to repay it, thus returning money to the taxpayer. They would be obliged to take personal responsibility for resolving their circumstance, a big "hot button" for the Republicans.

Self-esteem. Knowing he is applying for a loan for which he will be responsible, an applicant will think more about the amount involved and what it will take to repay it, as well as think better of himself—he will come away from the intake process with an obtainable vision for the future, rather than feeling like a loser who has been reduced to asking for help for some indeterminate period. The time for intake would be no greater, but both client and worker would feel better about the process, one first step to success.

No doubt there will be defaulters, and some who just can't or won't try to be independent. But I honestly believe that the self-esteem and social acceptability to be found in this proposal will motivate many more to keep the contract than seem to succeed under the present system.

(It is planned in Texas to administer the food stamp program electronically rather than with coupons, an idea whose time has come. Medical care should continue to be offered to AFDC clients as well, though I recommend a higher income level be allowed if the aim is to get people back to the work force, because the fear of the high cost of medical care really can prevent people from leaving the safety net.)

Sincerely,



Nathalie Guyol

214 923-2347 (home/msg)

214 935-9000 x3502 (work)

FAX: 214 923-7510

cc: Ms. Regina Montoya

WR MEMO  
10.4.94

## PROCESS

Bipartisan cast

- Govs: Engler, Thompson
- House: Gingrich, Shaw, Castle, Molinari
- Senate: Dole, Packwood, Chafee (Roth?)

WH lead

Business outreach -- NAM, Chamber, NAB, Bus. Roundtable  
Communications strategy  
Budget

## KEY POLICY QUESTIONS

Financing (& Costs)  
Relation to Health Care

## VULNERABILITIES/GAPS

Likely Attacks  
Possible Compromises  
(Examine GOP provisions)  
Necessary Strengthening  
    WR Fraud  
    Group Home state option

## WR IDEAS

### O/W Births

1. Expand teen moms to all unwed under 20
2. State option to phase in o/w 1st -- sharp contrast b/w cutoff and work  
-- Do sense of Congress on phase-in
3. Is unwed distinction in GOP K constitutional? (Ask Conservative constitutional scholars for opinion)  
-- does it deny child, or child and parent?
4. Housing under 21?
5. Cost estimates on group homes and orphanages  
-- what is a community setting?

### Adoption

1. compare GOP K w/ESEA

End of line  
- state flex to propose alternative approach  
- or, if no jobs available  
→ Perverse incentive to have <sup>another (2nd)</sup> child after 21?

### Comparisons w/GOP

1. Are our sanctions tougher?
2. 3 strikes and you're out -- sanctions
3. How does their state match work?
4. What's the cost of their UP program?
5. Can we attack cap/cut in CSE in GOP K?
6. Attack SSI non-entitlement? immunization
7. Does their provision on p. 27 require SSI \$ for deficit reduction, not tax cut?
8. Do non-displacement provisions
9. Copy their asset provision
10. Any effect on m-c families of food cuts
11. Analysis of CSE provisions

### IMMIGRANT FUNDING

1. Ask Belle about deeming for other programs
2. Can we deny to Prucol illegals who get caught?
3. Do we let states cut off illegals?
4. Could we deem illegal-alien private income?
5. Deny housing to households w/illegal alien?
6. Deport public charges (time limit on sustained use)
7. Require sponsors to post bond
8. Can we require reporting to INS?

## ACHIEVING GREATER STATE FLEXIBILITY IN AFDC AND FOOD STAMPS WHILE PROTECTING STATES AND POOR FAMILIES

Interest is growing in the idea of providing states greater flexibility in designing welfare programs. One approach being pursued by some Republican Members of Congress would be to turn AFDC and several smaller programs into a cash assistance block grant and to turn food stamps and several smaller nutrition programs into a food assistance block grant.

Doing so, however, would cause serious problems. The problems are of sufficient gravity to make these undesirable policy options from the standpoint both of state governments and low-income families. Fortunately, there is an alternative way to give states substantially increased flexibility without using a block grant structure. This memo discusses the problems with block-granting AFDC and food stamps and describes an alternative that would retain the desirable features of a block grant without its drawbacks.

### Problems with Block-Granting AFDC and Food Stamps

Turning AFDC and food stamps into block grants would pose significant problems.

- Insufficient federal funds would likely be made available for the block grant. These block grants would likely be structured by Congress as discretionary — or non-entitlement — programs whose funding levels are determined each year in Congressional appropriations battles. While some Republican Members of Congress and governors have talked of a block grant that would reduce the AFDC funds which states receive by 10 percent to 20 percent, the actual reductions would *almost certainly be much larger than that over time*.

The block grant legislation might include an appropriations *ceiling* that represents a 10 percent to 20 percent cut. But the actual amount appropriated would likely be well below the ceiling. With Congress about to tighten greatly the already-austere spending caps that govern the total amount that can be spent on discretionary programs (while raising spending on defense at the same time), domestic discretionary programs will be squeezed hard in the years ahead. Welfare block grants, which have weak political constituencies, would likely fare poorly in the intense

competition for the shrinking pot of funds that will be available under the spending caps. Over time, the federal funds provided to states for these block grants are likely to decline substantially. In short, the potential conversion of the federal funding structure for AFDC and food stamps from one under which states and poor families have an entitlement to funds to one in which the funding provided to states for these programs is squeezed in each year's appropriations fight should be of profound concern to states.

One additional concern on this front is that states frequently would not know until October 1 (or even later) how much block grant funding they would receive for the fiscal year starting October 1. Congressional appropriations battles typically are not over — and funding levels not known — much before October 1. Often these issues are not settled until November or December. This would make it difficult for states to plan and operate their low-income programs efficiently.

- Of equal concern is that a block grant would not respond to the increases in need that states face during economic downturns. Under the current financial structure for AFDC and food stamps, increased federal matching funds for AFDC — and an increase in 100 percent federally funded food stamp benefits — automatically flow into a state when recession hits and more families apply for aid. For example, between June 1990 and June 1992, as the national unemployment rate jumped from 5.1 percent to 7.7 percent, the number of people receiving food stamps rose by more than five million. Under a block grant, this provision of additional federal resources during recessions would end. A fixed amount would be provided to a state at the start of a year. If unemployment subsequently rose, *the state would have to bear 100 percent of any additional cash and food assistance costs itself.*

This would pose serious problems for states. State revenues shrink during economic downturns, and many state programs are cut. Under a welfare block grant structure, states would be forced to choose between raising taxes (or cutting other programs more deeply in recessions) to address the mounting needs for low-income assistance or instituting across-the-board benefit cuts, making some categories of needy families and children ineligible for the rest of the year, or placing poor families that recently lost their jobs on waiting lists for aid.

If states instituted waiting lists, two-parent families could be significantly affected. The subpopulation whose participation in AFDC rises most sharply in recessions is two-parent families.

The loss of the automatic increase in federal funding during a recession would have two other adverse effects as well. It could weaken the national and state economies. The food stamp and AFDC programs function as what economists call "automatic stabilizers" — federal programs that moderate economic downturns by infusing more purchasing power into state and local economies when recession sets in. Under a block grant structure, the automatic stabilizer role played by these programs would be lost. This is especially troublesome in the case of the food stamp program, which is one of the most important automatic stabilizer in the federal government's recession-fighting arsenal. Converting these programs to block grants that fail to respond to recessions is likely to make recessions somewhat deeper and more protracted.

- These problems are aggravated by another shortcoming of a block grant structure — it would badly misallocate funds among states. Any formula that could be used to allocate block grant funds among states would be based on data for a year in the past; the formula would not be able to reflect economic and demographic changes since that time. States whose economies had grown robustly since the year in which the data were collected would receive more funds than warranted, while states where economic conditions had deteriorated would receive too little.

Of particular concern is the fact that during a recession, the hardest-hit states would likely be subject to a "triple whammy." First, there would be insufficient federal funds nationally, since the federal funding level would not automatically rise with a recession. Second, the allocation formula would not recognize the depth of the downturn in states that had been hit hard. Finally, the states hit hardest by the recession would generally face large declines in state revenues and be among the states least able to provide state funds to respond to the additional need the downturn had created.

- A block grant also could hinder welfare reform efforts in some states. A number of states want to expand their JOBS programs, create work slots, and impose work requirements more broadly. Some states may want to expand child care for AFDC mothers seeking to work their way off welfare and for mothers who have just done so. Since a block grant approach would provide fewer federal AFDC funds — rather than additional matching funds for states adopting such approaches — these states could be forced to abandon reforms aimed at promoting self-sufficiency unless they were willing to cut AFDC benefits to pay for the reforms.

- One final problem deserves mention as well. There would inevitably be a major fight among states over the formula for allocating block grant funds among them. If the formula reflected current expenditure patterns, it would penalize states with low benefit levels and risk locking them into that status permanently. Moreover, if the formula gave each state the same percentage of federal AFDC matching funds that it currently receives, this would fail to recognize the differences that will occur among states in coming years in rates of population growth, demographic changes, employment levels, or wages. If the formula attempted to adjust for these factors, it would be out-of-date (as noted above), always reflecting economic and demographic conditions several years earlier. And if the formula were based primarily on economic and demographic data (such as the number of poor families in each state) rather than on current expenditure patterns, the distribution of funds among states would be substantially altered. Some states that pay above-average benefits could suffer heavy losses of federal funds and be driven to cut benefits significantly even though their current benefit levels leave children below the poverty line.

It should be noted that once these programs lose their entitlement status and are converted to block grants, there will be no turning back, despite whatever problems may ensue. Given the federal government's fiscal problems — and the politics surrounding these issues — it would be virtually impossible to regain entitlement status for programs such as these for years to come.

#### *What About Administrative Savings?*

A response sometimes offered to these funding problem issues is that states would reap large savings in administrative costs if federal rules were loosened. This response is weak. Even if significant administrative savings could be achieved, they would constitute only a small fraction of the federal funds that states would lose under the block grant proposals. Federal and state administrative costs combined make up about 12 percent of AFDC and food stamp expenditures. Thus, if administrative costs were cut a fifth, total program costs would be reduced just two to three percent. Under the proposed cash and food block grants now being developed, the cuts in federal funding would be far larger — at least 10 percent to 15 percent initially and probably more in subsequent years.

## What About a Capped Entitlement to States?

Some states officials may believe that a solution to the funding problems described here is to structure welfare block grants as "capped entitlements" rather than as discretionary programs. Under a capped entitlement, states would be entitled to their respective shares of a fixed amount of federal funding. For example, if \$20 billion a year were provided for a block grant, each state would be entitled to its respective share (in accordance with a funding formula) of the \$20 billion. Under most proposals for capped entitlements, low-income families, as distinguished from states, would not be entitled to benefits. As a result, the amount of federal funding provided in a state would *not* rise if need increased in the state and more families applied for aid.

While it may sound attractive, this approach actually would do little to address the problems described here. Under the capped entitlement approach, a state's federal funding would remain fixed for the year, just as it would if the block grant were structured as a discretionary program. A state's funding level would not rise if a recession set in or the number of applicants in a state rose for other reasons. States still would have to reject the new applicants, cut benefits, or meet these additional needs entirely with state funds.

In addition, the fixed amount of federal funding available under a capped entitlement would have to be allocated among states in accordance with a funding formula. All of the problems described above regarding funding formulas would hold true. Some states would receive too much, while others would get far too little, especially when their economies turned down.

The only advantage that a block grant structured as a capped entitlement has over a block grant structured as a discretionary program is that the federal funding levels probably would not be ratcheted down further during annual appropriations battles. While this would be helpful, it does *not* mean that funding levels for a block grant structured as a capped entitlement would be adequate or would fare well over time. In 1972, for example, Congress converted funding provided to states to deliver social services to low-income households from an uncapped entitlement to a capped entitlement. Since then, funding for this capped entitlement — the Social Services Block Grant — has fallen about 65 percent, after adjusting for inflation.

It should be noted that converting AFDC and food stamps to capped entitlements is not a step needed to control federal entitlement costs. AFDC and food stamp expenditures are not among the significant factors driving federal entitlement spending upward; health care and Social Security costs are the main causes of these upward pressures. Moreover, AFDC and food stamps combined constitute just five percent of federal entitlement spending.

If policymakers seek savings in these programs, they can be achieved without converting the programs to block grants under which poor families have no entitlement to benefits. Savings can be achieved through such means as making specific changes in federal food stamp eligibility and benefit rules without turning the program into a block grant.

## An Alternative of Greater Benefit to States and Families

The alternative is to give states extensive flexibility to design their own AFDC programs, much as a block grant would do, while maintaining the federal-state financial structure for AFDC. This would be done by identifying and eliminating every provision of the Social Security Act that needlessly restricts state flexibility in shaping their own AFDC programs and enabling states to largely fashion their own programs without having to secure waivers. The federal government would continue to match state AFDC expenditures on an entitlement basis as it does now.

This avoids the drawbacks of block-granting described above, while providing states great flexibility. States should prefer this approach to a block grant. It is in their fiscal interest to do so.

Under the alternative, each state would be free to develop its own rules concerning such matters as:

- what is income and how it should be treated (for example, how earnings are treated, what income is deemed, etc.);
- what resources would be permitted, and under what circumstances;
- what requirements (JOBS, work, other) must be met to qualify for assistance;
- what time limits (if any) are to be imposed on assistance to adults and what work or participation requirements would be imposed on adults who reached the time limit;
- circumstances where rules are varied in a part of the state, so that states have broad freedom to attempt their own demonstration projects.

Under this approach states would also have broad flexibility to design efforts to boost self-sufficiency. For example:

- States would have much greater freedom in deciding how to spend their JOBS funds. Federal rules governing JOBS expenditures would be minimal so states could determine how best to use their JOBS resources;
- States could opt to convert AFDC dollars into wage subsidies to create new employment opportunities for families;

Block grant  
JOBS \$  
+ WORK \$  
as Work Incentive Bonus

Remove limits  
on work supp

Everyone working w/ 2 yrs. Rising partic. stds.  
or in Comm service

- States could opt to extend child care assistance to working poor families without requiring that the families first enter the welfare system.

This approach would allow much the same kind of flexibility as a block grant, while retaining the principles that states have a duty to provide cash assistance to families that qualify under their state plan and that the federal government has a duty to join in the cost of assistance to eligible families. (In other words, families that meet the state's eligibility criteria would continue to be entitled to benefits, and states would retain their entitlement to federal matching funds for these benefits.) Federal rules would be limited to those where there is a clear federal policy interest; in all other areas, states would be free to establish their own rules. States would describe their choices in their state plans. A federal role would be retained in gathering information about state approaches, providing technical assistance to states, and providing for research and evaluation efforts.

A question may be raised as to what the fiscal impact of this approach would be on the federal budget. This approach should not entail significant new costs. States are already free to set AFDC benefit levels wherever they wish, and these benefit levels are the key determinant of program costs. Why should giving states more freedom on what counts as income, what work requirements and time limits to impose, and similar matters have a large impact on costs when states would continue to have to pay their share of the costs created by the choices they make?

If, however, analysis shows there is some cost, it could be offset through changes such as those the Administration and various Members of Congress have developed to pay for their welfare reform bills. Similarly, if a reduction in federal costs of a particular percentage is insisted upon by federal policymakers, offsetting savings provisions (or modifications in the federal matching formula) can be designed to yield these savings. Such an approach ensures that the funding reductions will be limited to the percentage amount by which federal officials tell states that funding will decline, without that amount being ratcheted down further in each year's appropriations catfight. And it would ensure that when need increased in a particular state, federal funding would increase along with it.

### *Food Stamps*

This approach would not extend to food stamps. Food stamp benefits are 100 percent federally funded, and there needs to be a federal benefit structure.

The national food stamp benefit structure serves important functions. It provides the only national benefit floor under poor children. The benefit levels are indexed to food costs, and federal food stamp resources rise automatically when need increases during recessions or when wages for low-paid jobs erode.

Moreover, the food stamp program is the only major low-income benefit program that serves all categories of the poor under a single benefit structure in which the same benefit formula applies to low-income elderly people and to poor families with children. The fact that reductions in food stamp benefits hit the low-income elderly along with poor children has provided important protection to poor children over the years and is one reason food stamp benefits have kept pace with inflation during the past quarter century, rather than eroding as AFDC benefits have.

Still another of the food stamp program's attributes is that it moderates what would otherwise be extremely large differences among states in the benefits they provide to poor children. In states paying low AFDC benefits, food stamp benefits are greater, since a family's food stamp allotment depends on its income level. This is of particular importance for poorer states with limited fiscal capacity and for the poor children living in these states. For example, the AFDC benefit level in Mississippi is one-sixth the level in Connecticut; when food stamps are taken to account, the ratio falls from 6:1 to 2:1.

With food stamps being 100 percent federally funded, there also is another reason why it would not make sense to authorize states to set their own food stamp benefit levels and benefit structures. Doing so could lead to sizeable increases in federal costs.

Thus, the question is how the federal food stamp benefit and financing structure can be maintained while according states increased flexibility, especially in areas where food stamp rules cause problems for states. We suggest states be given more flexibility in certain key food stamp areas.

- The limitation on food stamp cash-out projects written into the FY 1995 agriculture appropriations bill could be repealed. States could be given more flexibility concerning the delivery of benefits through coupons, Electronic Benefit Transfers or cash.
- States could be given more flexibility in how to use their federal food stamp employment and training funds. This would enable states to make changes to increase coordination with JOBS. In addition, states could be given more flexibility to use food stamps to provide wage subsidies to employers.
- States could be allowed to modify the rules on what counts as income and resources in the food stamp program so that one set of rules covers families applying for both AFDC and food stamps. States could modify these rules just for the portion of their food stamp caseload that receives

AFDC if they chose. Federal review and approval would be needed, but approval would be limited to assuring that federal costs would not rise.

This approach provides added flexibility without unraveling the national food stamp benefit structure that serves as the only national floor under poor children and the "gap filler" between high-payment AFDC states with strong fiscal capacity and low-payment states with more limited fiscal capacity. The important role of the food stamp program in responding to and cushioning the effects of recessions also would be retained.

## **Conclusion**

This alternative would represent a major departure from current practice. It would enable states to design their own AFDC programs and to modify their food stamp programs in certain ways without having the federal government shift costs to them during recessions or through cuts to fit within a discretionary cap. This approach would represent a new partnership between the federal government and the states.

This alternative reflects a basic judgment: states should not be forced to take a block grant to get substantially enhanced flexibility. This approach seeks to provide that flexibility without the major pitfalls involved in block-granting AFDC and food stamps.

It should be noted that the issue of block granting food stamps arose once before in the mid-1980s when the Reagan administration and Senator Jesse Helms, then chairman of the Senate Agriculture Committee, proposed making food stamps a block grant at state option. The National Governors Association opposed this proposal, which was defeated. NGA recognized that even as a state option, this approach was dangerous for states because it would begin to unravel the fiscal structure under which the federal government funds 100 percent of state food stamp needs on an entitlement basis.

*December 16, 1994*

EXECUTIVE OFFICE OF THE PRESIDENT

11-Nov-1994 11:55am

TO: Carol H. Rasco

FROM: Bruce N. Reed  
Domestic Policy Council

CC: Kathryn J. Way  
Jeremy D. Benami

SUBJECT: RE: welfare reform

That plan sounds fine to me, although I would try to keep the mtg as small as possible so we can get some work done and not just debate whether this is worth doing or not. I think you should use this mtg to let HHS et al know that we need the following, as quickly as possible:

1. Cost/financing options to put in the budget, as we discussed in Leon's mtg. OMB knows about that mtg, HHS doesn't. Belle has been working on financing options, but that needs to be accelerated. HHS needs to propose cost options that will bring the overall cost of our plan down to its original \$9.3 billion.

2. Analysis of GOP bill in Contract with America -- major weaknesses, potential cost shift to states, etc. With huge cuts in committee staff, Hill Dems will look to us for analysis and guidance. For now, it's important that this be straightforward, factual analysis, not politically charged stuff that the Republicans can use to suggest that we're not really for WR or not acting in good faith.

3. Target list of moderate GOPs and Dems whose votes will be critical in keeping the overall plan centered, and a plan to reach out to them in next few months. Kathi and I have been asking for such a list for months, but HHS refused because they only wanted to talk to Dems.

4. A commitment to speak with one voice. We can't afford the usual leaking and squealing from HHS at a time when we're trying to show a unified, centrist front.

Finally, in general, we need to reassure them that so long as we're calm, measured, and sensible in our thinking and public argument, we can hold the center on this issue, because we have public opinion on our side. But we have to be disciplined and pick our fights carefully.

I think it's good to have this first mtg, but I hope we don't have to have a lot more with them, since HHS has a direct pipeline to our good friend at the NYT. He's working on a story for Sunday -- I haven't talked to him yet, but Melissa tells me he's focusing on trouble in the GOP ranks and panic on the Dem left.

- DTE

Bruce

Will give this  
to Carol if  
looks good  
to you

-J.

9:15

Tuesday

plc - meet.  
Pat's  
strategy

Weekly intrad

- 1) Legis.
- 2) Marcia's Plan
- 3) Comm.

**I. PROCESS**

- \* CHR state that she will be chairing meetings on a regular basis - coordinating policy, legislative and other strategies - and that this will be the basic group.

**II. STRATEGY**

- \* CHR review: the President and COS have made clear this is an area we are looking to find bipartisan agreement. We need to work with both parties in the coming weeks to see if we can get a bill produced that we can sign.

**III. LEGISLATIVE**

- \* Discussion of who we should meet with and on what timetable
- \* CHR should request Bruce to come back to next meeting with a plan based on discussions with Pat's and Jerry's offices

**IV. FINANCING**

- \* Review Panetta direction to develop a plan at less than \$9.3b
- \* Rivlin/Sawhill report on status of options and budget.
- \* OMB to come to next meeting with financing options and proposal

**V. POLICY NEXT STEPS**

- \* Restate assumption that we will re-intro same basic bill
- \* HHS to prepare for next meeting:
  - list of items for change in the Bill
  - Analysis of key (top ten?) items of likely contention - specifically charting out Contract position, HR3500, and the administration bill
  - options paper on fraud

**VI. INTERGOVERNMENTAL**

- \* Marcia to report on status of contacts with governors and other groups

**VII. MESSAGE/COMMUNICATIONS**

- \* Review (1) Rahm designated as lead  
(2) We will be speaking with one voice; no need to say anything at this point.

Policy Recomm.  
in 2 wks.  
wk of Dec 5

mtg of co-  
chairs  
- Bill & Kathy  
- cost &  
financing

WR mtg with COS -- 11.1.94

## I. COSTS & FINANCING

-- How to make up the \$5b gap (cost \$11.8b, revenue \$6.5)

Options:

1. Cut back program:
  - 1) Separate track for child care (Moynihan)
  - 2) Eliminate demos (IDA, CSA, teen pregnancy)
2. Immigrant \$:
  - 1) Deeming to citizenship (+\$3.8b)
  - 2) Jordan -- binding K for all benefits (incl medical)
3. EITC

-- If possible, offsets should exceed costs -- rhetorical advantage

## II. LEGISLATIVE STRATEGY

-- How to build bipartisan support w/o losing near left

Don't know the players -- Gibbons, Matsui/Ford, Packwood/Moynihan  
-- But we do know we can't get to 218 w/o significant number of GOPs  
-- cf Crime Bill -- more moderates, fewer libs

POTUS's role is to keep this on bipartisan track

- Bring in House/Senate leadership, Crime Bill GOPs, Dem/GOP governors
- Agree on some principles (no taxes, save \$, toughest CSE, etc.)
- Don't get too tied to our bill (leave room for agmt)

WH leadership is critical

- HHS are good salesman, but they shouldn't negotiate for us
- eg, family cap

## III. HOW TO PROCEED

1. Early outreach to GOP -- President and staff level
  - Panetta visit
2. Schedule December/January mtg w/govs, hill
3. Decision memo to POTUS in late November on \$\$\$
  - with any other cleanup (fraud, shorten the bill, etc.)
4. Communications and outreach strategy
  - business; Afr-Americans
  - Rahm -- communications
  - natl campaign on teen pregnancy -- POTUS on values of reform

Memo  
1. More savings > spending 129  
2. 10-9  
3. Other option  
Plus what can be  
tightened in package

→ Call Cisneros

## WELFARE REFORM AGENDA

November 22, 1994

### I. PROCESS

- \* CHR state that she will be chairing meetings on a regular basis -- coordinating policy, legislative, and other strategy -- and that this will be the basic group.

### II. STRATEGY

- \* CHR review: the President and COS have made clear that this is an area where we are looking to find bipartisan agreement. We need to work with both parties in the coming months to produce a bill we can sign.

### III. POLITICAL OVERVIEW

- \* Legislative: Discussion of legislative timetable and outlook
- \* Intergovernmental: Marcia to report on contacts with governors and others
- \* Communications: Rahm and Bruce to discuss current communications posture
- \* Communications/Outreach Plan: CHR should request Rahm and Bruce to work with Pat & Jerry's offices, Marcia's office, Avis's office, and report back to next meeting with a preliminary communications and outreach plan for December and January.

### IV. POLICY NEXT STEPS

- \* Restate assumption that we will re-intro same basic bill
- \* Direct Bruce, Jeremy, David, Mary Jo, and Belle to report back to this group in 2 weeks with recommendations on policy changes and cost and financing options. Bruce and Kathi will convene a policy meeting here at WH next week.
- \* Research on GOP Contract: HHS to produce analysis of key items of likely contention in GOP bill; cost estimates on cost shifts to the states; comprehensive analysis of orphanage issue; other areas where GOP bill may be weak, such as child support enforcement and fraud.

### V. FINANCING

- \* Review Panetta direction to develop a plan at \$9.3b or less.
- \* Rivlin/Sawhill report on status of options. Possibly discuss question of whether to include WR in budget

~~IDEA~~

After 5 yrs if we haven't saved \$,  
will sunset program

# A New Approach to Welfare Reform: Humility

By JAMES Q. WILSON

We are entering the last years of the century with every reason to rejoice: little inclination to do so, despite widespread prosperity, a generally healthy economy, the absence of any immediate sign threat, and extraordinary progress in civil rights, personal health and school enrollment. Despite all this and more, we find that there is something profoundly wrong with our society.

That communal life is thought to be deficient in many respects, plagued by crime, drug abuse, teenage pregnancy, welfare dependency and the countless inabilities of daily life. What these problems have in common in the eyes of most Americans is that they result from the weakening of the family.

Having arrived at something approaching a consensus, we must now face the fact that we don't know what to do about the problem. The American people are well led by their leaders in this regard. They don't know very much that government can do about anything at all. They are not optimistic that any other institution can do much better, and they are skeptical that there will be a spontaneous regeneration of decency, commitment and personal responsibility.

## How to Change Lives

I do not know what to do either. But I think we can find out, at least to the degree that feeble human reason is capable of understanding some of the most profound attributes of our condition.

The great debate is whether, how and at what cost we can change lives. If not the best of this generation, then of the next, here are three ways of framing the problem.

First, the structural perspective: Owing to natural social forces, the good manufacturing jobs that once existed in inner-city areas have moved to the periphery, leaving behind decent men and women who are struggling to get by without work that once conferred both respect and money. Their places are now taken by street-wise young men who find no meaningful work, have abandoned the search for work, and earn indeed the stigmatized work.

Second is the rationalist perspective: Welfare benefits, including not only Aid to Families with Dependent Children (AFDC), but also Medicaid, subsidized housing and Food Stamps, have become sufficiently generous as to make the formation of stable two-parent families either irrational or unnecessary. These benefits have induced young women wanting babies and a home of their own to acquire both at public expense, and have convinced young men, who need very little convincing on this score, that sexual conquest need not entail any personal responsibilities.

Third is the cultural perspective: Child-rearing and family life as traditionally understood can no longer compete with or bring under prudent control a culture of radical self-indulgence and oppositional defiance, fostered by drugs, television, video games, street gangs and predatory sexuality.

Now, a visitor from another planet hearing this discourse might say that obviously all three perspectives have much to commend themselves and, therefore, all three ought to be acted upon. But the public debate we hear tends to emphasize one or another theory and thus one or another set of solutions. It does this because people, or at least people who are members of the political class, define prob-

lems so as to make them amenable to those solutions that they favor for ideological or moral reasons. Here roughly is what each analysis pursued separately and alone implies:

1) *Structural solutions.* We must create jobs and job-training programs in inner-city areas, by means either of tax-advantaged enterprise zones or government-subsidized employment programs. As an alternative, we may facilitate the relocation of the inner-city poor to places on the periphery where jobs can be found and, if necessary, supplement their incomes by means of the earned-income tax credit.

2) *Rationalist solutions.* Cut or abolish AFDC or, at a minimum, require work in exchange for welfare. Make the formation

*There remain several important puzzles in the connection between welfare and child-bearing. One is the existence of great differences in illegitimacy rates across ethnic groups facing similar circumstances.*

of two-parent households more attractive than single parenthood and restore work to prominence as the only way for the physically able to acquire money.

3) *Cultural solutions.* Alter the inner-city ethos by means of private redemptive movements, supported by a system of shelters or group homes in which at-risk children and their young mothers can be given familial care and adult supervision in safe and drug-free settings.

Now, I have my own preferences in this menu of alternatives, but it is less important that you know what these preferences are than that you realize that I do not know which strategy would work, because so many people embrace a single strategy as a way of denying legitimacy to alternative ones and to their underlying philosophies.

Each of those perspectives, when taken alone, is full of uncertainties and inadequacies. These problems go back, first of all, to the structural solution. The evidence that links family dissolution with the distribution of jobs is, in fact, weak. Some people—such as many recent Latino immigrants in Los Angeles—notice that jobs have moved to the periphery from the city and board buses to follow the jobs. Other people notice the very same thing and stay home to sell drugs.

Now, even if a serious job mismatch does exist, it will not easily be overcome by enterprise zones. If the costs of crime in inner-city neighborhoods are high, they cannot be compensated for by very low labor costs or very high customer demand. Moreover, employers in scanning potential workers will rely, as they have always relied, on the most visible cues of reliability and skill—dress, manner, speech and even place of residence. No legal system, no matter how much we try to enforce it, can completely or even largely suppress these cues, because they have substantial economic value.

Second, let's consider some of the inadequacies of the rationalist strategy. After years of denying that the level of welfare payments had any effect on child-bearing, many scholars now find that states with higher payments tend to be ones in which more babies are born to welfare recipients; and when one expands the definition of welfare to include not only AFDC but Medicaid, Food Stamps and subsidized housing, increases in welfare

were strongly correlated with increases in illegitimate births from the early 1960s to about 1980. At that point, the value of the welfare package in real dollars flattened out, but the illegitimacy rate continued to rise.

Moreover, there remain several important puzzles in the connection between welfare and child-bearing. One is the existence of great differences in illegitimacy rates across ethnic groups facing similar circumstances. Since the Civil War at least, blacks have had higher illegitimacy rates than whites, even though federal welfare programs were not invented until 1935.

These days, it has been shown that the illegitimacy rate among black women is more than twice as high as among white women, after controlling for age, education and economic status. David Hayes Bautista, a researcher at UCLA, compared poor blacks and poor Mexican-Americans living in California. He found that Mexican-American children are much more likely than black children to grow up in a two-parent family, and that poor Mexican-American families were only one-fifth as likely as black ones to be on welfare.

Even among blacks, the illegitimacy rate is rather low in states such as Idaho, Montana, Maine and New Hampshire, despite the fact that these states have rather generous welfare payments. And the illegitimacy rate is quite high in many parts of the Deep South, even though these states have rather low welfare payments.

Clearly, there is some important cultural or at least noneconomic factor at work, one that has deep historical roots and that may vary with the size of the community and the character of the surrounding culture.

Finally, the cultural strategy. Though I have a certain affinity for it, it has its problems, too. There are many efforts in many cities by public and private agen-

*Though I confess I am attracted to the idea of creating wholly new environments in which to raise the next generation of at-risk children, I must also confess that I do not know whether it will work.*

cies, individuals and churches to persuade young men to be fathers and not just impregnators, to help drug addicts and alcoholics, to teach parenting skills to teenage mothers. Some have been evaluated, and a few show signs of positive effects. Among the more successful programs are the Perry Pre-School Project in Ypsilanti, Mich.; the Parent Child Development Center in Houston; the Family Development Research Project in Syracuse, N.Y.; and the Yale Child Welfare Project in New Haven, Conn. All of these programs produce better behavior, lessened delinquency, more success in school.

The Manhattan Institute's Myron Magnet (author of "The Dream and the Nightmare: The Sixties' Legacy to the Underclass") and I have both endorsed the idea of requiring young unmarried mothers to live in group homes with their children under adult supervision as a condition of receiving public assistance. I also have suggested that we might revive an institution that was common earlier in this century but has lapsed into disuse of late—the boarding school, sometimes mistakenly

called an orphanage, for the children of mothers who cannot cope. At one time such schools provided homes and education for more than 100,000 young people in large cities.

Though I confess I am attracted to the idea of creating wholly new environments in which to raise the next generation of at-risk children, I must also confess that I do not know whether it will work. The programs that we know to be successful, like the ones mentioned above, are experimental efforts led by dedicated men and women. Can large versions of the same thing work when run by the average counselor, the average teacher? We don't know. And even these successes predated the arrival of crack on the streets of our big cities. Can even the best program salvage people from that viciously destructive drug? We don't know.

There is evidence that such therapeutic communities as those run by Phoenix House, headquartered in New York, and other organizations can salvage people who remain in them long enough. How do we get people to stay in them long enough? We don't know.

Now, if these three alternatives or something like them are what is available, how do we decide what to do? Before trying to answer that question, let me assert three precepts that ought to shape how we formulate that answer.

## Save the Children

The first precept is that our overriding goal ought to be to save the children. Other goals—such as reducing the costs of welfare, discouraging illegitimacy, preventing long-term welfare dependency, getting even with welfare cheats—may all be worthy goals, but they are secondary to the goal of improving the life prospects of the next generation.

The second precept is that nobody knows how to do this on a large scale. The debate has begun about welfare reform, but it is a debate, in large measure, based on untested assumptions, ideological posturing and perverse principles. We are told by some that worker training and job placement will reduce the welfare rolls, but we now know that worker training and job placement have so far had only a very modest effect. And few advocates of worker training tell us what happens to children whose mothers are induced or compelled to work, other than to assure us that somebody will supply day care.

The third precept that should guide us is that the federal government cannot have a meaningful family policy for the nation, and it ought not to try. Not only does it not know and cannot learn from experts what to do, whatever it thinks it ought to do, it will try to do in the worst possible way. Which is to say, uniformly, systematically, politically and ignorantly.

Now, the clear implication of these three precepts, when applied to the problem we face now, is that we ought to turn the task and the money for rebuilding lives, welfare payments, housing subsidies, the whole lot, over to cities and states and private agencies, subject to only two conditions. First, they must observe minimum but fundamental precepts of equal protection, and second, every major new initiative must be evaluated by independent observers operating in accordance with accepted scientific canons.

Some states or counties in this regime may end AFDC as we know it. Others may impose a mandatory work requirement. A few may require welfare recipients to turn their checks over to the group homes in which the recipients must reside or the boarding schools that their children must attend. Some may give the money to private agencies that agree to supply parent training, job skills and preschool education. Some may move welfare recipients out of the inner city and to the periphery.

Any given state government may do no better than Washington, but the great variety of the former will make up for the deadening uniformity of the latter. And within the states, the operating agencies will be at the city and county level, where the task of improving lives and developing character will be informed by the proximity of government to the voices of ordinary people.

*Mr. Wilson is professor of management and public policy at UCLA. A longer version of this essay will appear in the Manhattan Institute's City Journal.*



THE WALL STREET JOURNAL THURSDAY, DECEMBER 29, 1994

# DRAFT

## ACHIEVING GREATER FLEXIBILITY IN AFDC THROUGH BLOCK GRANTS AND OTHER OPTIONS

Interest appears to be growing in the idea of providing states substantially greater flexibility in designing welfare programs. One approach would be to turn AFDC into a block grant.

Doing so, however, would cause problems. Indeed, the problems are of sufficient gravity to make this an undesirable policy option. Fortunately, there is an alternative way to give states the same type of flexibility that an AFDC block grant would provide without using a block grant structure. This memo discusses the problems with block-granting AFDC and describes an alternative that would retain the desirable features of a block grant without its drawbacks.

### Block-Granting AFDC

Turning AFDC into a block grant would pose some significant problems.

- Insufficient federal funds might be made available for the block grant. An AFDC block grant would likely be structured by the 104th Congress as a discretionary program. As such, it would be subject to the discretionary caps, which are about to be tightened greatly as part of an effort to put the budget on a path to balance by FY 2002. If a welfare block grant has to compete under the discretionary caps with other discretionary programs, it is bound to fare poorly. Over time, appropriations are likely to fall well below the authorized levels.

In theory, a block grant could be set up as a capped mandatory program, but that would probably be politically difficult to achieve in the new Congress. Moreover, even if it succeeded, that approach, too, would almost surely lead to inadequate funding in some years. Capped mandatory programs that serve low-income families have not done well historically; consider how much the Social Services Block Grant has eroded in real terms over the past 20 years. Of particular concern is the fact that resources provided for capped mandatory programs do not respond automatically to recessions.

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In short, losing the entitlement feature of AFDC under which federal funds are automatically made available to match state expenditures would create some serious problems.

- This leads to a second issue. As just noted, increased federal funds generally would not become available during economic downturns. The result would not only be increased hardship, but also a weakening of the automatic stabilizers the federal government employs to cushion economic slumps.

Moreover, the lack of adequate funding during recessions would be likely to intensify the anti-marriage bias in AFDC. The AFDC subpopulation whose participation in AFDC rises most sharply in recessions is two-parent families. If a state receives a fixed amount of federal funds for the year and its economy then faltered, the state might have to limit participation by two-parent families or place new applicants — who would be disproportionately composed of two-parent families — on a waiting list.

- These problems are aggravated by another shortcoming of a block grant structure — it would badly misallocate funds among states. Any formula that could be used to allocate block grant funds among states would be based on data for a year in the past; the formula would not be able to reflect economic and demographic changes since that time. States whose economies had grown robustly since the year in which the data were collected would receive more funds than warranted, while states where economic conditions had deteriorated would receive too little.

Of particular concern is the fact that during a recession, the hardest-hit states would likely be subject to a "triple whammy." First, there would be insufficient federal funds nationally, since the federal funding level would not automatically rise with a recession. Second, the allocation formula would not recognize the depth of the downturn in states that had been hit hard. Finally, the states hit hardest by the recession would generally face large declines in state revenues and be among the states least able to provide state funds to respond to the additional need the downturn had created.

The likely outcome consequently would be that during recessions, the level of aid provided would decline significantly relative to the need for such aid.

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- For these reasons, there would be substantial risk that some states would have to initiate sharp mid-year cutbacks to avoid running out of money. States faced with a shortfall would have to choose between providing 100 percent state dollars to make up the funding gap, cutting already meager benefits across-the-board, making some categories of needy families and children ineligible for the remainder of the year, and instituting waiting lists.
- A block grant also could hinder welfare reform efforts in some states. A number of states want to expand their JOBS programs, create work slots, and impose work requirements more broadly. Some states want to expand child care for AFDC mothers seeking to work their way off welfare and for mothers who have just done so. Since a block grant approach is unlikely to provide any additional federal AFDC funds, states could be forced to abandon reforms aimed at promoting self-sufficiency unless they were willing to cut AFDC benefits to pay for the reforms.

It also is worth noting that there would probably be a big fight among the states over the formula for allocating block grant funds among them. If the formula reflected current expenditure patterns, it would lock states with very low benefit levels into that status permanently. That would be problematic for Southern states, among others. On the other hand, if the formula were based on economic and demographic conditions and not on current state expenditures for AFDC, the distribution of funds among states could be substantially altered. Some states that pay above-average benefits could be driven to cut them significantly, despite the fact that the current benefit levels paid in these states still leave children well below the poverty line.

## An Alternative

The alternative is to give states great flexibility to design their own AFDC programs, as a block grant would do, while maintaining the federal-state financial structure for AFDC. The federal government would continue to match AFDC expenditures on an entitlement basis as it does now.

This avoids the drawbacks of block-granting described above, while providing states great flexibility. States should prefer this approach to a block grant. It is in their fiscal interest to do so.

Under the alternative, each state would be free to develop its own rules concerning such matters as:

- what is income and how it should be treated (for example, how earnings are treated, what income is deemed, etc.);

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- what resources would be permitted, and under what circumstances;
- what requirements (JOBS, work, child support, other) must be met to qualify for assistance;
- how a state would spend its JOBS allocation (federal rules governing JOBS expenditures would be minimal);
- what time limits are to be imposed on assistance to adults and what work or participation requirement would be imposed on adults who reached the time limit;
- whether, for two-parent families, to use existing categorical eligibility requirements or to base eligibility solely on financial need;
- circumstances where rules are varied in a part of the state, so that states have broad freedom to attempt their own demonstration projects.

This approach would allow much the same kind of flexibility as a block grant, while retaining the basic principles that states have a duty to provide assistance to families that qualify under their state plan and that the federal government has a duty to join in the cost of assistance to eligible families. Federal rules would be limited to those where there is a clear federal policy interest; otherwise, states would be free to establish their own rules. States would describe their choices in their state plans. A federal role would be retained in gathering information about state approaches, providing technical assistance to states, and providing for research and evaluation efforts.

A question may be raised as to what the fiscal impact of this approach would be on the federal budget. This approach should not entail significant new costs. States are already free to set AFDC benefit levels whenever they wish, and these benefit levels are the key determinant of program costs. Why should giving states more freedom on what counts as income, what work requirements and time limits to impose, and similar matters affect costs significantly when states would continue to have to pay their share of the costs created by the choices they make?

If, however, analysis shows that there is some cost, it could be covered through offsets. Some of the offsets the Administration has developed for its welfare reform bill could be used.

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## *Food Stamps*

This approach would *not* extend to food stamps. Since food stamps are 100 percent federally funded, there needs to be a federal benefit structure. If states were free to establish the benefit structure, federal costs could balloon.

States could, however, be given greater flexibility in two parts of the food stamp program. The limitation on food stamp cash-out projects written into the FY 1995 agriculture appropriations bill could be repealed, and states could be given more flexibility concerning the delivery of benefits through coupons, Electronic Benefit Transfers (which, for a number of reasons, should remain the preferred approach), or cash. In addition, states could be given more flexibility in how to use their federal food stamp employment and training funds. For example, they could be given the flexibility to make changes to increase coordination with JOBS and to use both AFDC and food stamps to provide wage subsidies to employers. Federal approval for these approaches would be needed — since food stamps are 100 percent federally funded and the federal government needs to assure cost-neutrality — but that could be done as part of the normal state plan approval process.

The provision of added state flexibility in these areas should be welcomed by states. This approach provides added flexibility without unraveling the national food stamp benefit structure that serves as the floor under poor children and the “gap filler” between high-payment AFDC states with strong fiscal capacity and low-payment states with more limited fiscal capacity.

### Conclusion

The alternative could be presented as a sharp departure from current practice and a way to give states great flexibility to design their own welfare program without having the federal government shift costs to them during recessions or through cuts to fit within a discretionary cap. This approach could be called a “New Partnership” or some other name.

States should not be forced to take a block grant to get greatly enhanced flexibility. This approach seeks to provide that flexibility without the major pitfalls involved in block-granting AFDC.

*December 3, 1994*

The logo consists of three vertical bars of increasing height from left to right, resembling a bar chart.

# CENTER ON BUDGET AND POLICY PRIORITIES

## THE KASSEBAUM FEDERALISM PROPOSAL: IS IT A GOOD IDEA?

### Overview

Senator Nancy Kassebaum has proposed a major restructuring of the social welfare system, under which the federal government would take over full financial responsibility for Medicaid and transfer to states full financial responsibility for the food stamp, AFDC, and WIC programs. During a five-year transition period, a maintenance-of-effort requirement would bar states from reducing overall expenditures on cash and food assistance to the poor. States would continue to bear some share of Medicaid costs during the transition. After the transition period, the federal government would take over full responsibility for Medicaid, and states would neither receive federal funds for food stamps, AFDC or WIC nor be subject to any requirement to maintain cash or food benefits.

The idea of "sorting out" federal and state responsibilities — increasing the federal role in some areas and devolving other areas to states — has considerable merit. So does the notion of giving states more flexibility in designing their AFDC programs. Senator Kassebaum's intention clearly is to improve the welfare system and help poor families. Nevertheless, the Kassebaum proposal is seriously flawed; it devolves the wrong set of programs to the states. As explained in this paper, devolving means-tested income security programs such as food stamps is likely to lead over time to incalculable damage to the safety net and to generate substantial increases in poverty, especially among children. Under the Kassebaum plan, devolution would come in precisely the areas where state performance has been most inadequate and where proponents of realigning federal and state roles have traditionally called for a stronger rather than a weaker federal role. The proposal runs counter to the recommendations issued by a distinguished bipartisan Commission that studied these issues carefully in the 1980s, the Committee on Federalism and National Purpose, on which Daniel Evans, Charles Robb, Leon Panetta, Alice Rivlin, Barber Conable, David Durenberger, Richard Gephardt, and Richard Williamson (who handled federalism issues for the Reagan White House during the first Reagan term) served, among others.

The plan also is ill-advised from a macroeconomic standpoint. It would weaken the "automatic stabilizers" the federal government employs to lessen the depth of recessions. In addition, it would cause the federal deficit to swell significantly after the transition period ends.

The timing of the proposal would exacerbate its problems. The plan would be implemented at the same time that federal grants-in-aid to state governments are likely to be sustaining cuts of unprecedented depth, as a result of constitutional and statutory requirements likely to be put in place in the next year or two to balance the federal budget without raising taxes or touching Social Security or defense. In such an atmosphere, the prospects that states would maintain cash and food assistance for the poor after the transition period ends would dim further. These issues are discussed below.

## I. Devolving Food Stamps and AFDC

The Committee on Federalism and National Purpose, chaired by then-Senator Daniel Evans (R) and then-Governor Charles Robb (D), called in 1985 for a major realignment of federal and state roles. The Committee proposed a much larger federal role in financing and setting national standards for Medicaid and AFDC, accompanied by the devolution of scores of federal programs to the states. In issuing its recommendations, the Committee affirmed a principle that has undergirded most thoughtful examinations of federalism issues — income security for the poor should largely be a federal responsibility. The Committee wrote:

“Wherever it occurs, poverty is a blight on our whole society, and Americans in similar circumstances should be treated alike. Children whose early years are damaged by the effects of poverty in one state may later become voters, employees, and possibly welfare recipients in other states.”

“Safety net programs also should furnish benefits that can be expected to provide for basic necessities. Welfare programs in many states fall far short of this mark. Even when combined with the cash value of food stamps, AFDC benefits were at or below 60 percent of poverty-level income in 10 states in 1984, and the median level of benefits was 73 percent of the poverty line. [These levels are lower today.]

“Only the federal government can effectively bring about greater uniformity and adequacy of welfare services. This is because it is the only source of nationwide political authority and because it is the only level of government that commands the necessary resources.”<sup>1</sup>

Trends in welfare programs since 1970 support the Committee’s conclusion. Even though the federal government matches every state AFDC benefit dollar with

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<sup>1</sup> Daniel J. Evans and Charles S. Robb, Chairmen, *To Form a More Perfect Union: The Report of the Committee on Federalism and National Purpose*, December 1985, pp. 13-14.

between \$1 and \$3.65 in federal funds (depending on the state), AFDC benefits in the median state have fallen 47 percent in real terms since 1970. AFDC benefits have tumbled so far that the average combined AFDC and food stamp benefit for a family with no other income is now back to the level of AFDC benefits alone in 1960, before the food stamp program was created.

It may be argued that the decline in AFDC benefits largely reflects public antipathy to non-working, unmarried mothers rather than the role of states in setting these benefit levels. But the evidence suggests otherwise. State SSI benefit supplements for the elderly poor, a much more sympathetic group than AFDC families, have declined even more; since the SSI program started in 1974, state SSI benefits for poor elderly people living alone have dropped 63 percent in the median state that pays these benefits. State SSI benefits for elderly couples have dropped 75 percent.<sup>2</sup>

### The Historical Pattern

In fact, when one examines benefit trends, a distinct pattern emerges. In the two programs where benefits are 100 percent federally funded and national benefit standards exist — the food stamp program and the federal SSI program — there has been no benefit erosion over the past 20 or 25 years. By contrast, in AFDC, where states set the benefit levels and pay part of the costs, benefits have fallen sharply. In the state component of SSI, where states set benefit levels and pay 100 percent of the cost, benefits have fallen even more steeply. (See Table I.) And the cuts have been most severe in state general assistance programs that receive no federal financial support and provide cash aid to poor people who aren't elderly, aren't sufficiently disabled to get SSI, and don't qualify for AFDC because they either don't care for children or live in two-parent families that don't meet the restrictive AFDC eligibility criteria that apply to such families. Most states that formerly operated general assistance programs have eliminated them or limited benefits to a fixed number of months out of the year. These deep GA cutbacks have increased the ranks of the homeless population, according to some studies.

This background is essential for assessing the Kassebaum proposal. Once the five-year transition period ends, the Kassebaum plan would place AFDC, food stamps, and WIC under a structure similar to that used for general assistance (and to a lesser extent, for state SSI benefits). States would decide whether to provide benefits, which

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<sup>2</sup> When federal and state SSI benefits are examined together, the combined benefit package shows a decline because of the large drop in state SSI benefits. In the median state that provides state SSI benefits, combined federal and state benefits have fallen about 10 percent in real terms since 1975. This translates into sizeable benefit declines. Combined federal and state SSI benefits for elderly couples are now about \$100 a month — or \$1,200 a year — lower than in 1975 in the typical state that provides SSI benefits. This is a large loss for people living below the poverty line.

Table I

Trends in Maximum Benefit Levels Over the Past Quarter Century (Percentage changes reflect changes in real dollars)	
<i>State-Prescribed Benefit Levels</i>	
AFDC (1970-1994)	-47%
SSI State Supplements (1975-1994)	
elderly individuals	-63%
elderly couples	-75%
<i>Federally Prescribed Benefit Levels</i>	
Food stamps (1971-1994)	+3%
SSI federal benefits (1974-1994)	+6%

categories of the poor to cover, and where to set benefit levels. Benefits would be paid entirely with state funds. *If states reduced AFDC benefits 47 percent in real terms over the past 24 years when the federal government paid 50 percent to 80 percent of the benefit costs, what would happen to food stamp and AFDC benefits when the federal government paid none of the costs?* The history of state government assistance programs in recent years is a chilling example of what could occur in some areas.

Advocates of the Kassebaum proposal may respond that states would reap substantial savings from being relieved of fiscal responsibilities for Medicaid and the pressures of rising Medicaid costs — and hence could provide adequate cash and food assistance. Such a response, however, would miss several key points.

First, constitutional and statutory provisions are likely to be put in place soon that require a balanced federal budget in seven years while “walling off” defense and Social Security and requiring a three-fifths vote to raise taxes on the House floor. If this series of developments unfolds, federal grants-in-aid to state and local governments — including grants for many services benefitting the middle class — will have to absorb very large hits. And if federal funds for education, infrastructure, mass transit, economic development and similar tasks are substantially reduced, there will be intense pressure in statehouses to accord higher priority to dedicating state resources to these areas than to using scarce funds to avert reductions in cash and food aid for the poor.

That, after all, has been the broad pattern in states for the past two decades. For example, in recent years most states have not appropriated sufficient state funds to draw down the full amount of federal matching funds available to the state for the JOBS program, which provides training and work experience — and enforces work requirements — on AFDC recipients. Despite the broad interest in welfare reform at the state level, most AFDC recipients remain outside the JOBS program today in no small part because state legislatures, faced with competing priorities, have placed state resources elsewhere.

The fact that the funds states provide for food and cash assistance would not, under the Kassebaum proposal, be matched by any federal dollars would heighten the difficulty of securing adequate funds for such assistance, especially when competing interest groups wield more clout than poor families and children. Furthermore, some of the programs with which cash and food aid for poor families would have to compete have their own federal matching provisions; in competing with such programs, cash and food aid for the poor would be at a further disadvantage. And while states compete with each other in areas such as higher education systems and tax incentives, states do not attempt to attract businesses by saying that they provide more adequate assistance to poor households than other states do.

In addition, the argument that states will perform satisfactorily in providing resources for cash and food assistance fails to address the problems states would face during recessions. Under the current benefit structure, the amount of federal food stamp benefits provided in a state automatically rises when the state economy turns down and unemployment and poverty mount. State-funded programs for the poor, by contrast, tend to be cut during recessions, because state revenues contract during economic slumps and most states have no ability to borrow to meet these needs. If AFDC and food stamps are devolved, states will be forced to choose between absorbing the additional benefit costs during recessions (which in most states would require cutting other programs or raising taxes), reducing benefits across the board, denying benefits to categories of needy families, and putting new applicants on waiting lists. History provides a strong indication of the likely outcome — most states will not be able to increase the resources available for these programs during recessions when state budgets experience strain and tax collections fall. It is more likely that funding for these programs will be cut than increased during hard times; indeed, general assistance benefits and SSI supplements were cut in numerous states during the recession of the early 1990s (and were not restored during the subsequent economic recovery).

Not only would state inability to boost funding during recessions result in greater hardship, but it also could weaken the national and state economies. The food stamp program is the federal government's most important "automatic stabilizer" after unemployment insurance; under the Kassebaum plan, it would no longer play that role. Neither would AFDC. As Alice Rivlin wrote in 1992, over the past several decades "social insurance and welfare programs not only provided income to individuals and families facing economic disaster, they also made economic disaster less likely. If economic activity dropped off sharply, the downward spiral would be cushioned, since individuals drawing social insurance benefits and welfare would be able to buy necessities and pay their rent or mortgages. This increased purchasing power would bolster the income of producers and prevent layoffs of workers and forced sales of homes. Thus, both welfare programs and social insurance would act as automatic stabilizers for the economy."<sup>3</sup>

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<sup>3</sup> Alice M. Rivlin, *Revising the American Dream, the Economy, the States, and the Federal Government*, The Brookings Institution, 1992, pp. 90-91.

Still another issue is that some of the poorest states in the nation would lose heavily under the proposal. For example, because of its relative poverty compared to other states, Mississippi receives a high federal matching rate for AFDC and Medicaid. The federal government pays about 79 percent of AFDC and Medicaid costs in the state, along with 100 percent of food stamp benefits. If Mississippi were relieved of paying Medicaid costs but received no food stamp, AFDC, or WIC funds, the state — and its poor families — would be hit hard. Mississippi would have to absorb the 79 percent of AFDC costs and the 100 percent of food stamp and WIC costs the federal government now pays, while being relieved of just the 21 percent of Medicaid costs it now bears. In fiscal year 1994, the federal government paid an estimated \$574 million in AFDC, food stamp, and WIC costs in Mississippi, while the state paid an estimated \$278 million in Medicaid costs, less than half as much. The state thus would suffer a large loss under the swap. Mississippi already pays the lowest AFDC benefits in the nation; they equal just 12 percent of the poverty line. When food stamps are added in, they bring a family to only about two-fifths of the poverty line. Under the proposal, Mississippi would be unable to afford even this meager level of benefits. In short, poverty would be likely to become grimmer in some very poor parts of the country.

Finally, if Medicaid is federalized and the federal government pays 100 percent of Medicaid costs, the wide variations that now exist among states in the categories of households eligible for Medicaid and in the health services covered could not be justified — and would likely be eliminated. To limit its fiscal exposure, the federal government could be expected to set national Medicaid eligibility and service levels no higher than those provided in the average state. If states with more extensive eligibility rules or service coverage wished to maintain their coverage in order to avoid increasing the ranks of the uninsured or dropping particular medical services, they would have to do so entirely with state funds. In a number of states, some of the savings that the state secured from no longer paying a portion of Medicaid costs would likely be used to maintain some of the Medicaid coverage and services that would otherwise be lost.

If these concerns are borne out and state aid is reduced significantly after the maintenance-of-effort period ends, it is extremely unlikely that parts of the AFDC, food stamp, and WIC programs could be refederalized or the maintenance-of-effort requirement extended or reimposed. The federal government is likely to face a constitutional requirement for a balanced budget starting in fiscal year 2002 and be struggling mightily to meet it. It will be in no position to refederalize cash and food assistance, as that would carry a hefty cost that would have to be borne on top of the costs of a fully federalized Medicaid program. And with the federal government cutting grants to states substantially to help achieve budget balance, it will be in no position to reimpose or extend a maintenance-of-effort requirement. Moreover, doing so would likely run afoul of unfunded mandate legislation that Congress is likely to pass in the next few months.

## A Closer Look at the Role of the Food Stamp Program

When the role of the food stamp program is examined, the problems posed by the Kassebaum plan deepen. The food stamp program has unique features, a factor that has led Senator Robert Dole on more than one occasion to call food stamps the most important social program since Social Security.

The food stamp program provides the only national benefit floor in the United States under poor children. If the national benefit structure is scrapped and federal funding for the program ends, benefits for poor children are likely to decline over time.

As noted, over the past quarter century, food stamp benefits have kept pace with need and escaped the sharp reductions in purchasing power that have marked AFDC, SSI state supplements, and general assistance. This is due in no small part to the program's national benefit structure under which the federal government fully funds food stamp benefits, the benefit levels are indexed to food costs, and the benefits are available on an entitlement basis so the program can respond automatically to increased need during recessions or when wages for low-paid jobs erode. The program's strength also is partly attributable to an apparent public preference for in-kind benefits over cash aid, especially for the non-elderly poor.

The program's political strength and durability stem in part from one other critical program feature as well — the food stamp program is the only major low-income benefit program that serves all categories of the poor *under a single benefit structure*, the one program in which the same benefit formula that applies to low-income elderly people also is used for poor mothers and children. As a result, a reduction in benefits hits the elderly poor along with poor children; this makes the program less vulnerable and more resistant to cutbacks. Various proposals to cut food stamp benefits advanced in the early 1980s by President Reagan or then-Agriculture Committee chairman Jesse Helms were turned aside primarily because of their impact on the elderly. Some of these proposals would probably have passed if they had affected only the non-elderly poor.

Another key feature of the food stamp program is its role in helping moderate what otherwise would be huge differences between states in the benefits they provide to poor children. In states that pay low AFDC benefits, food stamp benefits are large, since a family's food stamp allotment depends on its income level. This is of particular importance for poorer states with limited fiscal capacity — such as a number of states in the South — and for the poor children who live in these states. The federal food stamp program mitigates disparities among states and places a floor under children in the poorest jurisdictions.

For example, the State of Connecticut provides a family of three that has no other income with an AFDC benefit of \$680 per month, about two-thirds of the poverty line. Mississippi, by contrast, pays a family of three only about one-sixth as much — \$120 a month, which is less than 12 percent of the poverty line. When food stamps are added in,

Table II

The Impact of Food Stamps on State Variations in Benefit Levels				
State	Maximum Monthly AFDC Benefit*	Monthly AFDC and Food Stamps Benefits**	Maximum AFDC as % of Poverty	AFDC and Food Stamps as % of Poverty
California	\$607	\$805	59.12%	78.43%
Texas	\$184	\$488	17.92%	47.48%
Connecticut	\$680	\$850	66.23%	82.74%
Mississippi	\$120	\$424	11.69%	41.25%

\* January 1994 AFDC grant levels for a family of three with no other income, as reported by the Congressional Research Service.

\*\* Assumes average shelter costs for food stamp households in respective states as reported in USDA's report on the characteristics of food stamp households in summer 1992 (expressed in 1994 dollars).

the benefit package in Mississippi climbs from about one-sixth of the size of the Connecticut package to half of it. The combined AFDC and food stamp benefit package pays a little more than 41 percent of the poverty line in Mississippi and a little less than 83 percent in Connecticut. Similarly, the disparity between welfare benefits in two of the largest states — California and Texas — is cut in half when food stamps are added to the package. (See Table II.)

Under the Kassebaum plan, these unique features of the food stamp program would all be lost:

- There would be no national benefit structure or floor under poor children. In addition, in some states, various categories of the poor that now qualify for no other aid except food stamps — such as poor non-elderly single individuals — might receive no assistance at all.
- There would be no automatic increase in food benefits if food prices climbed. Nor would the number of people receiving benefits automatically rise if poverty and unemployment mounted.
- The already-wide differences among states in benefit levels would be likely to increase substantially, a particular problem for poor families living in Southern states. This also could lead to pressures on states with well-above average benefits to cut benefits in order to lessen risks of welfare in-migration (i.e., the increased gaps among states in benefit packages would increase

political pressures on "high-payment" states to moderate their benefit payments).

- Moreover, the concept of a single benefit structure covering poor children and poor elderly people alike would be abandoned by many, if not most, states. Many states would probably end most uses of food stamps and instead raise the AFDC cash benefit level for AFDC recipients and the SSI state supplement for recipients of that program. Over time, these cash benefits would likely erode in purchasing power, just as state AFDC and SSI benefits have in the past.

It should be noted that the food stamp program lacked a national benefit structure in its early years. The national structure was instituted under President Richard Nixon, with bipartisan support, when large state-by-state disparities in state food stamp benefit structures emerged and studies found hunger to be a serious problem in many areas. Prior to this action by the Nixon Administration and Congress, some states were denying food stamps to families with incomes as low as half the poverty line — as some states still do today in AFDC — even though food stamps were federally funded.

## II. Devolving the WIC Program

Devolving WIC also would be unwise. A 1992 GAO review of the cost-effectiveness of an array of children's programs found the data on WIC's effectiveness to be stronger than the data on any other such program. Indeed, WIC's documented impact on birth outcomes is nothing short of spectacular.

Rigorous studies have demonstrated that WIC markedly reduces infant deaths, low birthweight, prematurity, and other problems. It also is associated with higher immunization rates and increased use of prenatal and pediatric care. Evidence also suggests that WIC reduces child anemia, and there are indications it improves cognitive functioning among children. In short, WIC works. A panel of Fortune 100 CEO's noted when testifying before the House Budget Committee in 1991 that WIC is "the health-care equivalent of a triple-A rated investment" and called for the program to be fully funded in five years.

Documented successes of this nature are rare among social programs, and WIC may be the most successful low-income program the federal government operates. Given its track record, devolving it — which would likely lead to changes in the program that would lessen its effectiveness — does not represent sound policy.

There are two reasons why devolving WIC is likely to compromise its effectiveness. First, funding for it would probably decline over time. In no year under Ronald Reagan's tenure — or that of any other President — has federal WIC funding been reduced. Reagan's efforts to cut WIC were decisively rejected by the Republican Senate in 1981 and 1982, at a time when most other cuts in low-income programs proposed by the Reagan

Administration were being approved. Federal WIC funding has increased nearly every year. In the late 1980s and early 1990s, George Bush sought major increases in WIC funding, as Bill Clinton is now doing.

But the story is different at the state level. Even though state appropriations for WIC generally qualify a state for a larger federal WIC allocation, those states that provide funds for WIC have been reducing them in recent years. In the past two years, state funding for WIC has fallen 33 percent in real terms.

Second — and most important — devolving WIC would change its character in ways that would almost certainly lessen its effectiveness. WIC features what may be the most effective set of cost-containment measures of any federally-supported health program. Federal law requires every state to use competitive bidding to purchase infant formula for WIC. These competitive bidding procedures typically result in price reductions of 60 percent to 80 percent and saved \$920 million in FY 1994, according to USDA data. The savings were used to provide WIC foods to an additional 1.5 million pregnant women, infants, and children each month. Today, nearly one of every four WIC participants is served with savings from WIC infant formula cost containment systems.

In a number of states, these systems probably would be weakened if WIC were devolved. In many states, the two largest infant formula manufacturers — which control nearly 90 percent of the domestic infant formula market between them — have considerable clout with state health departments and medical associations. Prior to passage of the 1989 federal law requiring use of competitive bidding to purchase infant formula for the WIC program, fewer than half of the states had instituted this practice.

In addition, more than half of the states have now joined in multi-state contracts for the purchase of infant formula for WIC. This increases savings; the infant formula companies offer larger price reductions when a greater volume of sales is at stake under a WIC contract. If WIC is devolved and the programs that replace it vary significantly from state to state, the extent of multi-state contracting is likely to decrease — and savings are like to fall as a consequence.

Still another problem is that if WIC is devolved, agricultural commodity interests that are potent in particular states are likely to push hard to have their commodities added to the WIC food package in these states. There is a strong likelihood that such efforts will succeed in a number of places. By contrast, at the federal level, Republican and Democratic administrations alike have stood firm against such encroachments and succeeded in making decisions on the food package entirely on scientific merit. If items are added to the food package largely due to political muscle, more nutritionally valuable foods will have to be dropped or the benefit package will grow more costly, with the result that fewer women and children are served.

In short, devolution of WIC would weaken one of the most successful and effective of all federal poverty programs. It should be noted that there has been no call from states

for devolving WIC or block-granting it. As with most other programs, WIC is not problem-free, but the federal-state partnership works quite well here.

### III. Swelling the Deficit

Another problem posed by the Kassebaum plan is that it would swell the federal deficit substantially once the five-year transition period ended. The state share of Medicaid costs — which would be transferred to the federal government — greatly exceeds the federal AFDC, food stamp, and WIC costs that would shift to states. In addition, Medicaid costs are rising more rapidly than costs in the three cash and food aid programs. (The proposal may appeal to some governors for this reason.)

CBO projections indicate that the state portion of Medicaid costs will significantly exceed \$100 billion in fiscal year 1999. Federal AFDC, food stamp, and WIC costs will be less than \$55 billion that year. While the federal government may be able to save some money in Medicaid through certain administrative efficiencies that it can more readily implement if it takes over full financial responsibility for the program, this would not yield savings of anything close to \$50 billion a year.

The federal government also could eventually bear other costs if states shifted into the foster care system some AFDC cases in which the custodian is not the child's parent. States would have an incentive to do so, since the federal government provides matching funds for state foster care costs but would no longer do so for AFDC costs. Shifting cases to the foster care system would financially benefit a state, but increase the drain on the federal treasury.

#### *Complications During the Transition Period*

A shorter-range problem is that the Kassebaum plan would be difficult to administer accurately and equitably during the five-year transition period. State maintenance-of-effort requirements, as well as federal payments to states during this period, would be determined by a formula under which HHS and USDA estimated how much AFDC, food stamp, and WIC caseloads would have risen in each state in each calendar quarter during the transition if the current programs had remained intact. Such estimates would be extremely difficult to make accurately. Disputes and extensive litigation would be likely.

### IV. Conclusion

Realignment of federal and state roles is an important issue, and there are strong advantages to greater federal participation in Medicaid. A "swap" that devolves various federal programs in return for increased federal Medicaid funding may be worth exploring.

But this does not mean any federal program is an appropriate candidate for devolution. Various community and economic development, infrastructure, education, and

services programs may be candidates. But income security programs for the poor — especially basic safety net entitlements for poor children — are not.

Senator Kassebaum is neither a welfare-basher nor someone seeking to harm poor children. Nevertheless, her proposal would likely have severe effects. As a *New York Times* editorial noted on November 25, "States may be the right place to locate many programs Washington houses, but welfare is not one of them. States have a huge financial incentive to skimp on benefits — to drive poor residents out and persuade the poor from other states never to enter. Note that states eviscerated welfare benefits during the 1970s and 1980s while Washington kept federal benefits whole."

Devolving food stamps, AFDC, and WIC — especially at a time when the federal government is likely to cut sharply into other federal grants to state and local governments — is likely to lead to increases in poverty, hunger, and even homelessness in the decades ahead. As a result, it would risk making our society more deeply divided.

Devolution and increased state flexibility are not synonymous. Proposals can be designed to accord states substantially increased flexibility in designing and operating their AFDC programs without terminating federal support for cash and food assistance for poor families.

December 5, 1994

# What To Do About Crime

James Q. Wilson

cc Rahm  
Jose  
Jonathan Prince  
+ return to me

*Few of the major problems facing American society today are entirely new, but in recent years most of them have either taken new forms or reached new levels of urgency. To make matters more difficult, in many cases the solutions formerly relied upon have proved to be ineffective, leaving us so frustrated that we seize desperately on proposals which promise much but deliver little.*

*In the hope of bringing greater clarity to the understanding of these problems, and of framing workable solutions and policies, we are inaugurating this new series of articles. Like James Q. Wilson's below, each subsequent piece in the series will begin with a reexamination of a particular issue by a writer who has lived with and studied it for a long time and who will then proceed to suggest "What To Do About" it. Among those already scheduled for publication in the coming months are Charles Murray and Richard J. Herrnstein on welfare; Gertrude Himmelfarb on the universities; William J. Bennett on our children; Robert H. Bork on the First Amendment; and Richard Pipes on Russia.*

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WHEN the United States experienced the great increase in crime that began in the early 1960's and continued through the 1970's, most Americans were inclined to attribute it to conditions unique to this country. Many conservatives blamed it on judicial restraints on the police, the abandonment of capital punishment, and the mollycoddling of offenders; many liberals blamed it on poverty, racism, and the rise of violent television programs. Europeans, to the extent they noticed at all, referred to it, sadly or patronizingly, as the "American" problem, a product of our disorderly society, weak state, corrupt police, or imperfect welfare system.

Now, 30 years later, any serious discussion of crime must begin with the fact that, except for homicide, most industrialized nations have crime rates that resemble those in the United States. All the world is coming to look like America. In 1981, the burglary rate in Great Britain was much less than that in the United States; within six years the two rates were the same; today, British homes are more likely to be burgled than American ones. In 1980, the rate at which automobiles were stolen was lower in France than in the United States; today, the reverse is true. By 1984, the burglary rate in the Netherlands was nearly twice that in the United States. In Australia and Sweden certain forms of theft are more common than they are here. While property-crime rates were

declining during most of the 1980's in the United States, they were rising elsewhere.<sup>1</sup>

America, it is true, continues to lead the industrialized world in murders. There can be little doubt that part of this lead is to be explained by the greater availability of handguns here. Arguments that once might have been settled with insults or punches are today more likely to be settled by shootings. But guns are not the whole story. Big American cities have had more homicides than comparable European ones for almost as long as anyone can find records. New York and Philadelphia have been more murderous than London since the early part of the 19th century. This country has had a violent history; with respect to murder, that seems likely to remain the case.

But except for homicide, things have been getting better in the United States for over a decade. Since 1980, robbery rates (as reported in victim surveys) have declined by 15 percent. And even with regard to homicide, there is relatively good news: in 1990, the rate at which adults killed one another was no higher than it was in 1980, and in many cities it was considerably lower.

This is as it was supposed to be. Starting

<sup>1</sup> These comparisons depend on official police statistics. There are of course errors in such data. But essentially the same pattern emerges from comparing nations on the basis of victimization surveys.

around 1980, two things happened that ought to have reduced most forms of crime. The first was the passing into middle age of the postwar baby boom. By 1990, there were 1.5 million fewer boys between the ages of fifteen and nineteen than there had been in 1980, a drop that meant that this youthful fraction of the population fell from 9.3 percent to 7.2 percent of the total.

In addition, the great increase in the size of the prison population, caused in part by the growing willingness of judges to send offenders to jail, meant that the dramatic reductions in the costs of crime to the criminal that occurred in the 1960's and 1970's were slowly (and very partially) being reversed. Until around 1985, this reversal involved almost exclusively real criminals and parole violators; it was not until after 1985 that more than a small part of the growth in prison populations was made up of drug offenders.

Because of the combined effect of fewer young people on the street and more offenders in prison, many scholars, myself included, predicted a continuing drop in crime rates throughout the 1980's and into the early 1990's. We were almost right: crime rates did decline. But suddenly, starting around 1985, even as adult homicide rates were remaining stable or dropping, *youthful* homicide rates shot up.

Alfred Blumstein of Carnegie-Mellon University has estimated that the rate at which young males, ages fourteen to seventeen, kill people has gone up significantly for whites and incredibly for blacks. Between 1985 and 1992, the homicide rate for young white males went up by about 50 percent but for young black males it *tripled*.

The public perception that today's crime problem is different from and more serious than that of earlier decades is thus quite correct. Youngsters are shooting at people at a far higher rate than at any time in recent history. Since young people are more likely than adults to kill strangers (as opposed to lovers or spouses), the risk to innocent bystanders has gone up. There may be some comfort to be had in the fact that youthful homicides are only a small fraction of all killings, but given their randomness, it is not much solace.

THE United States, then, does not have a crime problem, it has at least two. Our high (though now slightly declining) rates of property crime reflect a profound, worldwide cultural change: prosperity, freedom, and mobility have emancipated people almost everywhere from those ancient bonds of custom, family, and village that once held in check both some of our better and many of our worst impulses. The power of the state has been weakened, the status of children elevated, and the opportunity for adventure expanded; as a consequence, we have experienced an explosion of artistic creativity, entrepreneurial zeal, political experimentation—and criminal activity. A global economy has inte-

grated the markets for clothes, music, automobiles—and drugs.

There are only two restraints on behavior—morality, enforced by individual conscience or social rebuke; and law, enforced by the police and the courts. If society is to maintain a behavioral equilibrium, any decline in the former must be matched by a rise in the latter (or vice versa). If familial and traditional restraints on wrongful behavior are eroded, it becomes necessary to increase the legal restraints. But the enlarged spirit of freedom and the heightened suspicion of the state have made it difficult or impossible to use the criminal-justice system to achieve what custom and morality once produced.

This is the modern dilemma, and it may be an insoluble one, at least for the West. The Islamic cultures of the Middle East and the Confucian cultures of the Far East believe that they have a solution. It involves allowing enough liberty for economic progress (albeit under general state direction) while reserving to the state, and its allied religion, nearly unfettered power over personal conduct. It is too soon to tell whether this formula—best exemplified by the prosperous but puritanical city-state of Singapore—will, in the long run, be able to achieve both reproducible affluence and intense social control.

Our other crime problem has to do with the kind of felonies we have: high levels of violence, especially youthful violence, often occurring as part of urban gang life, produced disproportionately by a large, alienated, and self-destructive underclass. This part of the crime problem, though not uniquely American, is more important here than in any other industrialized nation: Britons, Germans, and Swedes are upset about the insecurity of their property and uncertain about what response to make to its theft, but if Americans only had to worry about their homes being burgled and their autos stolen, I doubt that crime would be the national obsession it has now become.

Crime, we should recall, was not a major issue in the 1984 presidential election and had only begun to be one in the 1988 contest; by 1992, it was challenging the economy as a popular concern and today it dominates all other matters. The reason, I think, is that Americans believe something fundamental has changed in our patterns of crime. They are right. Though we were unhappy about having our property put at risk, we adapted with the aid of locks, alarms, and security guards. But we are terrified by the prospect of innocent people being gunned down at random, without warning and almost without motive, by youngsters who afterward show us the blank, unremorseful faces of seemingly feral, presocial beings.

CRIMINOLOGY has learned a great deal about who these people are. In studies both here and abroad it has been estab-

lished that about 6 percent of the boys of a given age will commit half or more of all the serious crime produced by all boys of that age. Allowing for measurement errors, it is remarkable how consistent this formula is—6 percent causes 50 percent. It is roughly true in places as different as Philadelphia, London, Copenhagen, and Orange County, California.

We also have learned a lot about the characteristics of the 6 percent. They tend to have criminal parents, to live in cold or discordant families (or pseudo-families), to have a low verbal-intelligence quotient and to do poorly in school, to be emotionally cold and temperamentally impulsive, to abuse alcohol and drugs at the earliest opportunity, and to reside in poor, disorderly communities. They begin their misconduct at an early age, often by the time they are in the third grade.

These characteristics tend to be found not only among the criminals who get caught (and who might, owing to bad luck, be an unrepresentative sample of all high-rate offenders), but among those who do not get caught but reveal their behavior on questionnaires. And the same traits can be identified in advance among groups of randomly selected youngsters, long before they commit any serious crimes—not with enough precision to predict which individuals will commit crimes, but with enough accuracy to be a fair depiction of the group as a whole.<sup>2</sup>

Here a puzzle arises: if 6 percent of the males causes so large a fraction of our collective misery, and if young males are less numerous than once was the case, why are crime rates high and rising? The answer, I conjecture, is that the traits of the 6 percent put them at high risk for whatever criminogenic forces operate in society. As the costs of crime decline or the benefits increase; as drugs and guns become more available; as the glorification of violence becomes more commonplace; as families and neighborhoods lose some of their restraining power—as all these things happen, almost all of us will change our ways to some degree. For the most law-abiding among us, the change will be quite modest: a few more tools stolen from our employer, a few more traffic lights run when no police officer is watching, a few more experiments with fashionable drugs, and a few more business deals on which we cheat. But for the least law-abiding among us, the change will be dramatic: they will get drunk daily instead of just on Saturday night, try PCP or crack instead of marijuana, join gangs instead of marauding in pairs, and buy automatic weapons instead of making zip guns.

A metaphor: when children play the schoolyard game of crack-the-whip, the child at the head of the line scarcely moves but the child at the far end, racing to keep his footing, often stumbles and falls, hurled to the ground by the cumulative force of many smaller movements back along the line. When a changing culture escalates criminality, the at-risk boys are at the end of the line, and

the conditions of American urban life—guns, drugs, automobiles, disorganized neighborhoods—make the line very long and the ground underfoot rough and treacherous.

MUCH is said these days about preventing or deterring crime, but it is important to understand exactly what we are up against when we try. Prevention, if it can be made to work at all, must start very early in life, perhaps as early as the first two or three years, and given the odds it faces—childhood impulsivity, low verbal facility, incompetent parenting, disorderly neighborhoods—it must also be massive in scope. Deterrence, if it can be made to work better (for surely it already works to some degree), must be applied close to the moment of the wrongful act or else the present-orientedness of the youthful would-be offender will discount the threat so much that the promise of even a small gain will outweigh its large but deferred costs.

In this country, however, and in most Western nations, we have profound misgivings about doing anything that would give prevention or deterrence a chance to make a large difference. The family is sacrosanct; the family-preservation movement is strong; the state is a clumsy alternative. "Crime-prevention" programs, therefore, usually take the form of creating summer jobs for adolescents, worrying about the unemployment rate, or (as in the proposed 1994 crime bill) funding midnight basketball leagues. There may be something to be said for all these efforts, but crime prevention is not one of them. The typical high-rate offender is well launched on his career before he becomes a teenager or has ever encountered the labor market; he may like basketball, but who pays for the lights and the ball is a matter of supreme indifference to him.

Prompt deterrence has much to recommend it: the folk wisdom that swift and certain punishment is more effective than severe penalties is almost surely correct. But the greater the swiftness and certainty, the less attention paid to the procedural safeguards essential to establishing guilt. As a result, despite their good instincts for the right answers, most Americans, frustrated by the restraints (many wise, some foolish) on swiftness and certainty, vote for proposals to increase severity: if the penalty is 10 years, let us make it 20 or 30; if the penalty is life imprisonment, let us make it death; if the penalty is jail, let us make it caning.

Yet the more draconian the sentence, the less (on the average) the chance of its being imposed; plea bargains see to that. And the most draconian sentences will, of necessity, tend to fall on adult offenders nearing the end of their criminal careers and not on the young ones who are in their

<sup>2</sup> Female high-rate offenders are much less common than male ones. But to the extent they exist, they display most of these traits.

criminally most productive years. (The peak ages of criminality are between sixteen and eighteen; the average age of prison inmates is ten years older.) I say "of necessity" because almost every judge will give first-, second-, or even third-time offenders a break, reserving the heaviest sentences for those men who have finally exhausted judicial patience or optimism.

Laws that say "three strikes and you're out" are an effort to change this, but they suffer from an inherent contradiction. If they are carefully drawn so as to target only the most serious offenders, they will probably have a minimal impact on the crime rate; but if they are broadly drawn so as to make a big impact on the crime rate, they will catch many petty repeat offenders who few of us think really deserve life imprisonment.

Prevention and deterrence, albeit hard to augment, at least are plausible strategies. Not so with many of the other favorite nostrums, like reducing the amount of violence on television. Televised violence may have some impact on criminality, but I know of few scholars who think the effect is very large. And to achieve even a small difference we might have to turn the clock back to the kind of programming we had around 1945, because the few studies that correlate programming with the rise in violent crime find the biggest changes occurred between that year and 1974. Another favorite, boot camp, makes good copy, but so far no one has shown that it reduces the rate at which the former inmates commit crimes.

Then, of course, there is gun control. Guns are almost certainly contributors to the lethality of American violence, but there is no politically or legally feasible way to reduce the stock of guns now in private possession to the point where their availability to criminals would be much affected. And even if there were, law-abiding people would lose a means of protecting themselves long before criminals lost a means of attacking them.

As for rehabilitating juvenile offenders, it has some merit, but there are rather few success stories. Individually, the best (and best-evaluated) programs have minimal, if any, effects; collectively, the best estimate of the crime-reduction value of these programs is quite modest, something on the order of 5 or 10 percent.<sup>3</sup>

**W**HAT, then, is to be done? Let us begin with policing, since law-enforcement officers are that part of the criminal-justice system which is closest to the situations where criminal activity is likely to occur.

It is now widely accepted that, however important it is for officers to drive around waiting for 911 calls summoning their help, doing that is not enough. As a supplement to such a reactive strategy—comprised of random preventive patrol and the investigation of crimes that have already occurred—many leaders and students of law enforcement now urge the police to be "proactive":

to identify, with the aid of citizen groups, problems that can be solved so as to prevent criminality, and not only to respond to it. This is often called community-based policing; it seems to entail something more than feel-good meetings with honest citizens, but something less than allowing neighborhoods to assume control of the police function.

The new strategy might better be called problem-oriented policing. It requires the police to engage in *directed*, not random, patrol. The goal of that direction should be to reduce, in a manner consistent with fundamental liberties, the opportunity for high-risk persons to do those things that increase the likelihood of their victimizing others.

For example, the police might stop and pat down persons whom they reasonably suspect may be carrying illegal guns.<sup>4</sup> The Supreme Court has upheld such frisks when an officer observes "unusual conduct" leading him to conclude that "criminal activity may be afoot" on the part of a person who may be "armed and dangerous." This is all rather vague, but it can be clarified in two ways.

First, statutes can be enacted that make certain persons, on the basis of their past conduct and present legal status, subject to pat-downs for weapons. The statutes can, as is now the case in several states, make all probationers and parolees subject to nonconsensual searches for weapons as a condition of their remaining on probation or parole. Since three-fourths of all convicted offenders (and a large fraction of all felons) are in the community rather than in prison, there are on any given day over three million criminals on the streets under correctional supervision. Many are likely to become recidivists. Keeping them from carrying weapons will materially reduce the chances that they will rob or kill. The courts might also declare certain dangerous street gangs to be continuing criminal enterprises, membership in which constitutes grounds for police frisks.

Second, since I first proposed such a strategy, I have learned that there are efforts under way in public and private research laboratories to develop technologies that will permit the police to detect from a distance persons who are carrying concealed weapons on the streets. Should these efforts bear fruit, they will provide the police with the grounds for stopping, questioning, and patting down even persons not on probation or parole or obviously in gangs.

Whether or not the technology works, the po-

<sup>3</sup> Many individual programs involve so few subjects that a good evaluation will reveal no positive effect even if one occurs. By a technique called meta-analysis, scores of individual studies can be pooled into one mega-evaluation; because there are now hundreds or thousands of subjects, even small gains can be identified. The best of these meta-analyses, such as the one by Mark Lipsey, suggest modest positive effects.

<sup>4</sup> I made a fuller argument along these lines in "Just Take Away Their Guns," in the *New York Times Magazine*, March 20, 1994.

lice can also offer immediate cash rewards to people who provide information about individuals illegally carrying weapons. Spending \$100 on each good tip will have a bigger impact on dangerous gun use than will the same amount spent on another popular nostrum—buying back guns from law-abiding people.<sup>5</sup>

Getting illegal firearms off the streets will require that the police be motivated to do all of these things. But if the legal, technological, and motivational issues can be resolved, our streets can be made safer even without sending many more people to prison.

**T**HE same directed-patrol strategy might help keep known offenders drug-free. Most persons jailed in big cities are found to have been using illegal drugs within the day or two preceding their arrest. When convicted, some are given probation on condition that they enter drug-treatment programs; others are sent to prisons where (if they are lucky) drug-treatment programs operate. But in many cities the enforcement of such probation conditions is casual or nonexistent; in many states, parolees are released back into drug-infested communities with little effort to ensure that they participate in whatever treatment programs are to be found there.

Almost everyone agrees that more treatment programs should exist. But what many advocates overlook is that the key to success is steadfast participation and many, probably most, offenders have no incentive to be steadfast. To cope with this, patrol officers could enforce random drug tests on probationers and parolees on their beats; failing to take a test when ordered, or failing the test when taken, should be grounds for immediate revocation of probation or parole, at least for a brief period of confinement.

The goal of this tactic is not simply to keep offenders drug-free (and thereby lessen their incentive to steal the money needed to buy drugs and reduce their likelihood of committing crimes because they are on a drug high); it is also to diminish the demand for drugs generally and thus the size of the drug market.

Lest the reader embrace this idea too quickly, let me add that as yet we have no good reason to think that it will reduce the crime rate by very much. Something akin to this strategy, albeit one using probation instead of police officers, has been tried under the name of "intensive-supervision programs" (ISP), involving a panoply of drug tests, house arrests, frequent surveillance, and careful records. By means of a set of randomized experiments carried out in fourteen cities, Joan Petersilia and Susan Turner, both then at RAND, compared the rearrest rates of offenders assigned to ISP with those of offenders in ordinary probation. There was no difference.

Still, this study does not settle the matter. For one thing, since the ISP participants were under

much closer surveillance than the regular probationers, the former were bound to be caught breaking the law more frequently than the latter. It is thus possible that a higher fraction of the crimes committed by the ISP than of the control group were detected and resulted in a return to prison, which would mean, if true, a net gain in public safety. For another thing, "intensive" supervision was in many cases not all that intensive—in five cities, contacts with the probationers only took place about once a week, and for all cities drug tests occurred, on average, about once a month. Finally, there is some indication that participation in treatment programs was associated with lower recidivism rates.

Both anti-gun and anti-drug police patrols will, if performed systematically, require big changes in police and court procedures and a significant increase in the resources devoted to both, at least in the short run. (ISP is not cheap, and it will become even more expensive if it is done in a truly intensive fashion.) Most officers have at present no incentive to search for guns or enforce drug tests; many jurisdictions, owing to crowded dockets or overcrowded jails, are lax about enforcing the conditions of probation or parole. The result is that the one group of high-risk people over which society already has the legal right to exercise substantial control is often out of control, "supervised," if at all, by means of brief monthly interviews with overworked probation or parole officers.

Another promising tactic is to enforce truancy and curfew laws. This arises from the fact that much crime is opportunistic: idle boys, usually in small groups, sometimes find irresistible the opportunity to steal or the challenge to fight. Detering present-oriented youngsters who want to appear fearless in the eyes of their comrades while indulging their thrill-seeking natures is a tall order. While it is possible to deter the crimes they commit by a credible threat of prompt sanctions, it is easier to reduce the chances for risky group idleness in the first place.

In Charleston, South Carolina, for example, Chief Reuben Greenberg instructed his officers to return all school-age children to the schools from which they were truant and to return all youngsters violating an evening-curfew agreement to their parents. As a result, groups of school-age children were no longer to be found hanging out in the shopping malls or wandering the streets late at night.

There has been no careful evaluation of these efforts in Charleston (or, so far as I am aware, in any other big city), but the rough figures are impressive—the Charleston crime rate in 1991 was about 25 percent lower than the rate in

<sup>5</sup> In Charleston, South Carolina, the police pay a reward to anyone identifying a student carrying a weapon to school or to some school event. Because many boys carry guns to school in order to display or brag about them, the motive to carry disappears once any display alerts a potential informer.

South Carolina's other principal cities and, for most offenses (including burglaries and larcenies), lower than what that city reported twenty years earlier.

All these tactics have in common putting the police, as the criminologist Lawrence Sherman of the University of Maryland phrases it, where the "hot spots" are. Most people need no police attention except for a response to their calls for help. A small fraction of people (and places) need constant attention. Thus, in Minneapolis, *all* of the robberies during one year occurred at just 2 percent of the city's addresses. To capitalize on this fact, the Minneapolis police began devoting extra patrol attention, in brief but frequent bursts of activity, to those locations known to be trouble spots. Robbery rates evidently fell by as much as 20 percent and public disturbances by even more.

Some of the worst hot spots are outdoor drug markets. Because of either limited resources, a fear of potential corruption, or a desire to catch only the drug kingpins, the police in some cities (including, from time to time, New York) neglect street-corner dealing. By doing so, they get the worst of all worlds.

The public, seeing the police ignore drug dealing that is in plain view, assumes that they are corrupt whether or not they are. The drug kingpins, who are hard to catch and are easily replaced by rival smugglers, find that their essential retail distribution system remains intact. Casual or first-time drug users, who might not use at all if access to supplies were difficult, find access to be effortless and so increase their consumption. People who might remain in treatment programs if drugs were hard to get drop out upon learning that they are easy to get. Interdicting without merely displacing drug markets is difficult but not impossible, though it requires motivation which some departments lack and resources which many do not have.

The sheer number of police on the streets of a city probably has only a weak, if any, relationship with the crime rate; what the police do is more important than how many there are, at least above some minimum level. Nevertheless, patrols directed at hot spots, loitering truants, late-night wanderers, probationers, parolees, and possible gun carriers, all in addition to routine investigative activities, will require more officers in many cities. Between 1977 and 1987, the number of police officers declined in a third of the 50 largest cities and fell relative to population in many more. Just how far behind police resources have lagged can be gauged from this fact: in 1950 there was one violent crime reported for every police officer; in 1980 there were three violent crimes reported for every officer.

I HAVE said little so far about penal policy, in part because I wish to focus attention on those things that are likely to have

the largest and most immediate impact on the quality of urban life. But given the vast gulf between what the public believes and what many experts argue should be our penal policy, a few comments are essential.

The public wants more people sent away for longer sentences; many (probably most) criminologists think we use prison too much and at too great a cost and that this excessive use has had little beneficial effect on the crime rate. My views are much closer to those of the public, though I think the average person exaggerates the faults of the present system and the gains of some alternative (such as "three strikes and you're out").

The expert view, as it is expressed in countless op-ed essays, often goes like this: "We have been arresting more and more people and giving them longer and longer sentences, producing no decrease in crime but huge increases in prison populations. As a result, we have become the most punitive nation on earth."

Scarcely a phrase in those sentences is accurate. The probability of being arrested for a given crime is lower today than it was in 1974. The amount of time served in state prison has been declining more or less steadily since the 1940's. Taking all crimes together, time served fell from 25 months in 1945 to 13 months in 1984. Only for rape are prisoners serving as much time today as they did in the 40's.

The net effect of lower arrest rates and shorter effective sentences is that the cost to the adult perpetrator of the average burglary fell from 50 days in 1960 to 15 days in 1980. That is to say, the chances of being caught and convicted, multiplied by the median time served if imprisoned, was in 1980 less than a third of what it had been in 1960.<sup>6</sup>

Beginning around 1980, the costs of crime to the criminal began to inch up again—the result, chiefly, of an increase in the proportion of convicted persons who were given prison terms. By 1986, the "price" of a given burglary had risen to 21 days. Also beginning around 1980, as I noted at the outset, the crime rate began to decline.

It would be foolhardy to explain this drop in crime by the rise in imprisonment rates; many other factors, such as the aging of the population and the self-protective measures of potential victims, were also at work. Only a controlled experiment (for example, randomly allocating prison terms for a given crime among the states) could hope to untangle the causal patterns, and happily the Constitution makes such experiments unlikely.

Yet it is worth noting that nations with different penal policies have experienced different

<sup>6</sup> I take these cost calculations from Mark Kleiman, *et al.*, "Imprisonment-to-Offense Ratios," Working Paper 89-06-02 of the Program in Criminal Justice Policy and Management at the Kennedy School of Government, Harvard University (August 5, 1988).

crime rates. According to David Farrington of Cambridge University, property-crime rates rose in England and Sweden at a time when both the imprisonment rate and time served fell substantially, while property-crime rates declined in the United States at a time when the imprisonment rate (but not time served) was increasing.

Though one cannot measure the effect of prison on crime with any accuracy, it certainly has some effects. By 1986, there were 55,000 more robbers in prison than there had been in 1974. Assume that each imprisoned robber would commit five such offenses per year if free on the street. This means that in 1986 there were 275,000 fewer robberies in America than there would have been had these 55,000 men been left on the street.

Nor, finally, does America use prison to a degree that vastly exceeds what is found in any other civilized nation. Compare the chance of going to prison in England and the United States if one is convicted of a given crime. According to Farrington, your chances were higher in England if you were found guilty of a rape, higher in America if you were convicted of an assault or a burglary, and about the same if you were convicted of a homicide or a robbery. Once in prison, you would serve a longer time in this country than in England for almost all offenses save murder.

James Lynch of American University has reached similar conclusions from his comparative study of criminal-justice policies. His data show that the chances of going to prison and the time served for homicide and robbery are roughly the same in the United States, Canada, and England.

**O**F LATE, drugs have changed American penal practice. In 1982, only about 8 percent of state-prison inmates were serving time on drug convictions. In 1987, that started to increase sharply; by 1994, over 60 percent of all federal and about 25 percent of all state prisoners were there on drug charges. In some states, such as New York, the percentage was even higher.

This change can be attributed largely to the advent of crack cocaine. Whereas snorted cocaine powder was expensive, crack was cheap; whereas the former was distributed through networks catering to elite tastes, the latter was mass-marketed on street corners. People were rightly fearful of what crack was doing to their children and demanded action. As a result, crack dealers started going to prison in record numbers.

Unfortunately, these penalties do not have the same incapacitative effect as sentences for robbery. A robber taken off the street is not replaced by a new robber who has suddenly found a market niche, but a drug dealer sent away is replaced by a new one because an opportunity has opened up.

We are left, then, with the problem of reducing the demand for drugs, and that in turn requires either prevention programs on a scale heretofore unimagined or treatment programs with a level of effectiveness heretofore unachieved. Any big gains in prevention and treatment will probably have to await further basic research into the biochemistry of addiction and the development of effective and attractive drug antagonists that reduce the appeal of cocaine and similar substances.<sup>7</sup>

In the meantime, it is necessary either to build much more prison space, find some other way of disciplining drug offenders, or both. There is very little to be gained, I think, from shortening the terms of existing non-drug inmates in order to free up more prison space. Except for a few elderly, nonviolent offenders serving very long terms, there are real risks associated with shortening the terms of the typical inmate.

Scholars disagree about the magnitude of those risks, but the best studies, such as the one of Wisconsin inmates done by John DiIulio of Princeton, suggest that the annual costs to society in crime committed by an offender on the street are probably twice the costs of putting him in a cell. That ratio will vary from state to state because states differ in what proportion of convicted persons is imprisoned—some states dip deeper down into the pool of convictees, thereby imprisoning some with minor criminal habits.

But I caution the reader to understand that there are no easy prison solutions to crime, even if we build the additional space. The state-prison population more than doubled between 1980 and 1990, yet the victimization rate for robbery fell by only 23 percent. Even if we assign all of that gain to the increased deterrent and incapacitative effect of prison, which is implausible, the improvement is not vast. Of course, it is possible that the victimization rate would have risen, perhaps by a large amount, instead of falling if we had not increased the number of inmates. But we shall never know.

Recall my discussion of the decline in the costs of crime to the criminal, measured by the number of days in prison that result, on average, from the commission of a given crime. That cost is vastly lower today than in the 1950's. But much of the decline (and since 1974, nearly all of it) is the result of a drop in the probability of being arrested for a crime, not in the probability of being imprisoned once arrested.

Anyone who has followed my writings on crime knows that I have defended the use of prison both to deter crime and incapacitate criminals. I continue to defend it. But we must recognize two facts. First, even modest additional reductions in

<sup>7</sup> I anticipate that at this point some readers will call for legalizing or decriminalizing drugs as the "solution" to the problem. Before telling me this, I hope they will read what I wrote on that subject in the February 1990 issue of COMMENTARY. I have not changed my mind.

crime, comparable to the ones achieved in the early 1980's, will require vast increases in correctional costs and encounter bitter judicial resistance to mandatory sentencing laws. Second, America's most troubling crime problem—the increasingly violent behavior of disaffected and impulsive youth—may be especially hard to control by means of marginal and delayed increases in the probability of punishment.

Possibly one can make larger gains by turning our attention to the unexplored area of juvenile justice. Juvenile (or family) courts deal with young people just starting their criminal careers and with chronic offenders when they are often at their peak years of offending. We know rather little about how these courts work or with what effect. There are few, if any, careful studies of what happens, a result in part of scholarly neglect and in part of the practice in some states of shrouding juvenile records and proceedings in secrecy. Some studies, such as one by the *Los Angeles Times* of juvenile justice in California, suggest that young people found guilty of a serious crime are given sentences tougher than those meted out to adults.<sup>8</sup> This finding is so counter to popular beliefs and the testimony of many big-city juvenile-court judges that some caution is required in interpreting it.

There are two problems. The first lies in defining the universe of people to whom sanctions are applied. In some states, such as California, it may well be the case that a juvenile found guilty of a serious offense is punished with greater rigor than an adult, but many juveniles whose behavior ought to be taken seriously (because they show signs of being part of the 6 percent) are released by the police or probation officers before ever seeing a judge. And in some states, such as New York, juveniles charged with having committed certain crimes, including serious ones like illegally carrying a loaded gun or committing an assault, may not be fingerprinted. Since persons with a prior record are usually given longer sentences than those without one, the failure to fingerprint can mean that the court has no way of knowing whether the John Smith standing before it is the same John Smith who was arrested four times for assault and so ought to be sent away, or a different John Smith whose clean record entitles him to probation.

The second problem arises from the definition of a "severe" penalty. In California, a juvenile found guilty of murder does indeed serve a longer sentence than an adult convicted of the same offense—60 months for the former, 41 months for the latter. Many people will be puzzled by a newspaper account that defines five years in prison for murder as a "severe" sentence, and angered to learn that an adult serves less than four years for such a crime.

The key, unanswered question is whether prompt and more effective early intervention would stop high-rate delinquents from becoming

high-rate criminals at a time when their offenses were not yet too serious. Perhaps early and swift, though not necessarily severe, sanctions could deter some budding hoodlums, but we have no evidence of that as yet.

FOR as long as I can remember, the debate over crime has been between those who wished to rely on the criminal-justice system and those who wished to attack the root causes of crime. I have always been in the former group because what its opponents depicted as "root causes"—unemployment, racism, poor housing, too little schooling, a lack of self-esteem—turned out, on close examination, not to be major causes of crime at all.

Of late, however, there has been a shift in the debate. Increasingly those who want to attack root causes have begun to point to real ones—temperament, early family experiences, and neighborhood effects. The sketch I gave earlier of the typical high-rate young offender suggests that these factors are indeed at the root of crime. The problem now is to decide whether any can be changed by plan and at an acceptable price in money and personal freedom.

If we are to do this, we must confront the fact that the critical years of a child's life are ages one to ten, with perhaps the most important being the earliest years. During those years, some children are put gravely at risk by some combination of heritable traits, prenatal insults (maternal drug and alcohol abuse or poor diet), weak parent-child attachment, poor supervision, and disorderly family environment.

If we knew with reasonable confidence which children were most seriously at risk, we might intervene with some precision to supply either medical therapy or parent training or (in extreme cases) to remove the child to a better home. But given our present knowledge, precision is impossible, and so we must proceed carefully, relying, except in the most extreme cases, on persuasion and incentives.

We do, however, know enough about the early causes of conduct disorder and later delinquency to know that the more risk factors exist (such as parental criminality and poor supervision), the greater the peril to the child. It follows that programs aimed at just one or a few factors are not likely to be successful; the children most at risk are those who require the most wide-ranging and fundamental changes in their life circumstances. The goal of these changes is, as Travis Hirschi of the University of Arizona has put it, to teach self-control.

Hirokazu Yoshikawa of New York University has recently summarized what we have learned about programs that attempt to make large and lasting changes in a child's prospects for improved con-

<sup>8</sup> "A Nation's Children in Lock-up," *Los Angeles Times*, August 22, 1993.

duct, better school behavior, and lessened delinquency. Four such programs in particular seemed valuable—the Perry Preschool Project in Ypsilanti, Michigan; the Parent-Child Development Center in Houston, Texas; the Family Development Research Project in Syracuse, New York; and the Yale Child Welfare Project in New Haven, Connecticut.

All these programs had certain features in common. They dealt with low-income, often minority, families; they intervened during the first five years of a child's life and continued for between two and five years; they combined parent training with preschool education for the child; and they involved extensive home visits. All were evaluated fairly carefully, with the follow-ups lasting for at least five years, in two cases for at least ten, and in one case for fourteen. The programs produced (depending on the project) less fighting, impulsivity, disobedience, restlessness, cheating, and delinquency. In short, they improved self-control.

They were experimental programs, which means that it is hard to be confident that trying the same thing on a bigger scale in many places will produce the same effects. A large number of well-trained and highly motivated caseworkers dealt with a relatively small number of families, with the workers knowing that their efforts were being evaluated. Moreover, the programs operated in the late 1970's or early 1980's before the advent of crack cocaine or the rise of the more lethal neighborhood gangs. A national program mounted under current conditions might or might not have the same result as the experimental efforts.

Try telling that to lawmakers. What happens when politicians encounter experimental successes is amply revealed by the history of Head Start: they expanded the program quickly without assuring quality, and stripped it down to the part that was the most popular, least expensive, and easiest to run, namely, preschool education. Absent from much of Head Start are the high teacher-to-child case loads, the extensive home visits, and the elaborate parent training—the very things that probably account for much of the success of the four experimental programs.

**I**N THIS country we tend to separate programs designed to help children from those that benefit their parents. The former are called "child development," the latter "welfare reform." This is a great mistake. Everything we know about long-term welfare recipients indicates that their children are at risk for the very problems that child-helping programs later try to correct.

The evidence from a variety of studies is quite clear: even if we hold income and ethnicity constant, children (and especially boys) raised by a single mother are more likely than those raised by two parents to have difficulty in school, get in

trouble with the law, and experience emotional and physical problems.<sup>9</sup> Producing illegitimate children is not an "alternative life-style" or simply an imprudent action; it is a curse. Making mothers work will not end the curse; under current proposals, it will not even save money.

The absurdity of divorcing the welfare problem from the child-development problem becomes evident as soon as we think seriously about what we want to achieve. Smaller welfare expenditures? Well, yes, but not if it hurts children. More young mothers working? Probably not; young mothers ought to raise their young children, and work interferes with that unless two parents can solve some difficult and expensive problems.

What we really want is *fewer illegitimate children*, because such children, by being born out of wedlock are, except in unusual cases, being given early admission to the underclass. And failing that, we want the children born to single (and typically young and poor) mothers to have a chance at a decent life.

Letting teenage girls set up their own households at public expense neither discourages illegitimacy nor serves the child's best interests. If they do set up their own homes, then to reach those with the fewest parenting skills and the most difficult children will require the kind of expensive and intensive home visits and family-support programs characteristic of the four successful experiments mentioned earlier.

One alternative is to tell a girl who applies for welfare that she can only receive it on condition that she live either in the home of two competent parents (her own if she comes from an intact family) or in a group home where competent supervision and parent training will be provided by adults unrelated to her. Such homes would be privately managed but publicly funded by pooling welfare checks, food stamps, and housing allowances. \*

A model for such a group home (albeit one run without public funds) is the St. Martin de Porres House of Hope on the south side of Chicago, founded by two nuns for homeless young women, especially those with drug-abuse problems. The goals of the home are clear: accept personal responsibility for your lives and learn to care for your children. And these goals, in turn, require the girls to follow rules, stay in school, obey a curfew, and avoid alcohol and drugs. Those are the rules that ought to govern a group home for young welfare mothers.

Group homes funded by pooled welfare benefits would make the task of parent training much easier and provide the kind of structured, consistent, and nurturant environment that children need. A few cases might be too difficult for these homes, and for such children, boarding schools—

<sup>9</sup> I summarize this evidence in "The Family-Values Debate," COMMENTARY, April 1993.

once common in American cities for disadvantaged children, but now almost extinct—might be revived.

Group homes also make it easier to supply quality medical care to young mothers and their children. Such care has taken on added importance in recent years with discovery of the lasting damage that can be done to a child's prospects from being born prematurely and with a very low birth weight, having a mother who has abused drugs or alcohol, or being exposed to certain dangerous metals. Lead poisoning is now widely acknowledged to be a source of cognitive and behavioral impairment; of late, elevated levels of manganese have been linked to high levels of violence.<sup>10</sup> These are all treatable conditions; in the case of a manganese imbalance, easily treatable.

**M**Y FOCUS on changing behavior will annoy some readers. For them the problem is poverty and the worst feature of single-parent families is that they are inordinately poor. Even to refer to a behavioral or cultural problem is to "stigmatize" people.

Indeed it is. Wrong behavior—neglectful, immature, or incompetent parenting; the production of out-of-wedlock babies—*ought* to be stigmatized. There are many poor men of all races who do not abandon the women they have impregnated, and many poor women of all races who avoid drugs and do a good job of raising their children. If we fail to stigmatize those who give way to temptation, we withdraw the rewards from those who resist them. This becomes all the more important when entire communities, and not just isolated households, are dominated by a culture of fatherless boys preying on innocent persons and exploiting immature girls.

We need not merely stigmatize, however. We can try harder to move children out of those communities, either by drawing them into safe group homes or facilitating (through rent supplements and housing vouchers) the relocation of them and their parents to neighborhoods with intact social structures and an ethos of family values.

Much of our uniquely American crime problem (as opposed to the worldwide problem of general thievery) arises, not from the failings of individuals but from the concentration in disorderly neighborhoods of people at risk of failing. That concentration is partly the result of prosperity and freedom (functioning families long ago seized the opportunity to move out to the periphery), partly the result of racism (it is harder for some groups to move than for others), and partly the result of politics (elected officials do not wish to see settled constituencies broken up).

I SERIOUSLY doubt that this country has the will to address either of its two crime problems, save by acts of individual self-protection. We could in

theory make justice swifter and more certain, but we will not accept the restrictions on liberty and the weakening of procedural safeguards that this would entail. We could vastly improve the way in which our streets are policed, but some of us will not pay for it and the rest of us will not tolerate it. We could alter the way in which at-risk children experience the first few years of life, but the opponents of this—welfare-rights activists, family preservationists, budget cutters, and assorted ideologues—are numerous and the bureaucratic problems enormous.

Unable or unwilling to do such things, we take refuge in substitutes: we debate the death penalty, we wring our hands over television, we lobby to keep prisons from being built in our neighborhoods, and we fall briefly in love with trendy nostrums that seem to cost little and promise much.

Much of our ambivalence is on display in the 1994 federal crime bill. To satisfy the tough-minded, the list of federal offenses for which the death penalty can be imposed has been greatly enlarged, but there is little reason to think that executions, as they work in this country (which is to say, after much delay and only on a few offenders), have any effect on the crime rate and no reason to think that executing more federal prisoners (who account, at best, for a tiny fraction of all homicides) will reduce the murder rate. To satisfy the tender-minded, several billion dollars are earmarked for prevention programs, but there is as yet very little hard evidence that any of these will actually prevent crime.

In adding more police officers, the bill may make some difference—but only if the additional personnel are imaginatively deployed. And Washington will pay only part of the cost initially and none of it after six years, which means that any city getting new officers will either have to raise its own taxes to keep them on the force or accept the political heat that will arise from turning down "free" cops. Many states also desperately need additional prison space; the federal funds allocated by the bill for their construction will be welcomed, provided that states are willing to meet the conditions set for access to such funds.

Meanwhile, just beyond the horizon, there lurks a cloud that the winds will soon bring over us. The population will start getting younger again. By the end of this decade there will be a million more people between the ages of fourteen and seventeen than there are now. Half of this extra million will be male. Six percent of them will become high-rate, repeat offenders—30,000 more muggers, killers, and thieves than we have now.

Get ready.

<sup>10</sup> It is not clear why manganese has this effect, but we know that it diminishes the availability of a precursor of serotonin, a neurotransmitter, and low levels of serotonin are now strongly linked to violent and impulsive behavior.

Educational Opportunities Committee, which will debate job programs for welfare recipients.

Both Democrats and Republicans agree on some basics of welfare reform: that fathers should be made more financially responsible for their children; that the length of time a family can receive benefits should be limited; and out-of-wedlock births should be curbed.

President Clinton's plan had many of those elements, but it was picked apart by critics ever since the president outlined it last spring. Now, the president plans to invite mayors and governors to attend a bipartisan task force meeting in mid-January to reshape his welfare bill.

The president expressed the hope that the meeting would bring an end to "partisan bickering" and mark the "beginning of a new day, not just for the welfare system, but for how our government works."

If Clinton can use the meeting to win some consensus on elements of reform especially from Republican governors the administration has allowed to do their own welfare-reform experiments that agreement could be used to push a bipartisan welfare compromise with key Senate Republicans who already have doubts about the House Republican bill.

But Shaw is not waiting for Clinton to do his deal.

Shaw said that after 14 years in Congress, he finally has the power to improve the welfare system, and that he is determined to do it. The president had his chance, but made health-care reform a priority, Shaw said.

"I'm glad the president has gotten back on the bandwagon, but we are going ahead independently on our own bill," said Shaw. "Clearly, at this point, the responsibility for welfare reform is in the House."

Voters seem to agree. In a recent poll by The New York Times and CBS News, 60 percent of those surveyed said they trusted the Republicans to make good decisions on welfare. That compared with 28 percent for Clinton.

But Shaw insists that such political points are secondary to his determination to produce a subcommittee vote on winning welfare-reform legislation by the middle of February. "I want to pass legislation, not make political statements," he said.

To meet that ambitious goal, Shaw will have to resolve a number of volatile issues.

Perhaps the hottest issue would be deciding how far to go in denying benefits to mothers who are minors.

Under the House GOP contract's welfare plan, states would be required to deny cash benefits to unwed mothers under 18. States also would have the option of denying benefits to those 18 to 20 years old.

A mother would still get Medicaid and food stamps, but cash benefits would go to the states to be used to discourage teen pregnancy, encourage adoption or set up group homes for the mothers and their children. None of the money could be used for abortion funding or counseling.

The provision also includes the option of setting up orphanages, but that suggestion which generated negative publicity when endorsed by incoming House Speaker Newt Gingrich probably will be omitted from the bill.

Even without the "O" word, denying benefits to minor mothers concerns some GOP lawmakers who worry it would feed criticism that the welfare plan is heartless. Voters overwhelmingly reject the idea of denying benefits to minor mothers, according to several recent polls.

Some governors and social-service professionals also worry that this idea would shift the costs of caring for these young families to states and local communities that cannot afford it. In addition, the governors bristle at federal lawmakers' mandating that they do anything.

But those who support this provision see it as one way to reduce out-of-wedlock births, now about one-third of all the births in the country. Sending the message that having a baby does not entitle young mothers to a check or

housing subsidies, they argue, would go a long way toward making parenthood less attractive to those wanting to grow up fast.

Some Republican lawmakers and staffers are floating a compromise: Let states pay cash benefits, but require them to meet some goals in reducing teen pregnancy and out-of-wedlock birth rates.

Another contentious proposal would deny federal benefits to legal immigrants.

Legal immigrants, under the contract's welfare plan, would no longer be eligible for benefits under 60 different federal programs nearly all social services, cash benefits, housing and food assistance, except for emergency medical services.

Opponents see this provision as playing into the anti-immigrant attitude that fueled California's passage of Proposition 187, which denies illegal immigrants public schooling, welfare and non-emergency medical services. That law, now being challenged in court, was attacked by some top GOP leaders as unconstitutional and un-American.

The issue is even more controversial when dealing with legal immigrants those who did all the right things to come into the country, many of whom work and pay taxes. The provision would exempt those over age 75, and would allow the immigrants a year to become citizens.

Supporters say denying the benefits would raise \$20 billion over five years, money needed to prepare welfare recipients for jobs. Those who don't like it should come up with another way to raise the money, they say.

GOP congressional staffers are looking for a compromise based on recent proposals by a bipartisan commission on immigration. The commission, headed by former Rep. Barbara Jordan of Texas, denounced any plans to cut benefits to legal immigrants.

Instead, the commission said, the government should try to enforce the contracts that sponsors sign promising to be financially responsible for legal immigrants.

The largest issue in the welfare debate is likely to be whether to pass responsibility for reform to the states.

Some GOP lawmakers and strategists are shifting away from the contract's welfare plan to the idea of letting the states do the reforming. After all, 20 states are now tinkering with some aspects of the welfare system or trying to overhaul it.

That's what the governors want, and they say they could do the job with less federal money than is now being spent. Republicans champion the idea of a less intrusive federal government, but some wonder whether this would mean abdicating responsibility to oversee taxpayer money.

Even among those who agree on more state control, the debate focuses on how the money should be packaged and what strings, if any, should be attached.

Some like the idea of putting a reduced amount of money for welfare programs into nearly unrestricted, block grants to the states. The contract's welfare plan already proposes doing that with money from food stamps, school lunch programs and other food programs.

But to do that could require that these programs would no longer be entitlements programs available to all those who qualify. Every year, money would have to be budgeted and set aside.

That makes even Republican governors nervous that social service programs would be susceptible to further cutbacks in bad economic times, especially if a constitutional amendment requiring a balanced budget passes.

Others like the idea of allocating money to the states for a five-year period. Congress would set some goals for the reduction of the welfare rolls and job placement.

But abandoning the contract plan in favor of state control presents a sticky political question: Would House Republicans still get credit for reforming welfare?

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110,000-employee staff being reduced to 99,000. Congress and the USDA will also be wrestling with implementing the North American Free Trade Agreement and the General Agreement on Tariffs and Trade accord, deciding the future of huge soil-conservation programs, and debating whether food stamp programs should be overhauled or turned over to the states.

Many food and farm groups praised his nomination. "Dan Glickman understands agriculture and farmers," said Dean Kleckner, president of the conservative American Farm Bureau. The more liberal National Farmers Union also lauded Glickman, as did consumer groups, livestock organizations and food processors.

Glickman, 50, was born in Wichita, the son of a scrap-metal dealer. He has an undergraduate degree from the University of Michigan and a law degree from George Washington University Law School. He was first elected to Congress in 1976, and served 18 years on the House Agriculture Committee. He was chairman of the House Intelligence Committee for the last two years, and was upset last month in his bid for a 10th term.

The White House had hoped to announce Glickman's nomination last week, but Glickman won a postponement. He had promised his daughter, Amy, that he would attend her graduation from the University of Arizona at Tucson.

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## Sen. Lugar proposes trimming farm subsidies to pay for middle-class tax cut

By Doug Palmer

Knight-Ridder Financial News

WASHINGTON Incoming Senate Agriculture Committee Chairman Richard Lugar, R-Ind., said Wednesday that cutting subsidies paid to farmers would be one "responsible" way to pay for a middle-class tax cut.

"My own views on this ... is that probably we should be doing much less governmental (farm) subsidies," Lugar said at a news conference called to unveil his plans for confirmation hearings on President Clinton's selection Wednesday of outgoing Rep. Dan Glickman, D-Kan., to be the next agriculture secretary.

"I think that the amount of money spent in this area is not well spent," Lugar said. "In a time in which there is a calling for a middle-class tax cut, for example, and responsible ways to pay for that ... (cutting farm programs) is one of the ways to do that."

However, Lugar said other members of the Senate farm panel may not share his views on cutting farm programs. At the end of the upcoming 1995 farm bill debate, it could be "the will of the committee and the Congress will be simply to do what we've always been doing and add 5 percent more," Lugar said. "That could very well be it."

"But I'm saying this time," members are "going to have to vote for that, straight up" on a program-by-program basis for the various commodities that Agriculture Department subsidizes, Lugar said.

In that regard, Glickman's confirmation hearings will be "a warmup" to the farm bill debate, Lugar said, noting that he will ask Glickman to answer a number of questions that go to the heart of USDA farm programs.

"He very well may have views that are different from my own and I may be persuaded by what he says," Lugar said.

But, at the very least, Glickman will be expected to answer such questions as why annual grain acreage set asides are good farm policy and why the United States should restrict sugar production and imports to boost prices for farmers, Lugar said.

Glickman will also be asked to outline how he will

continue efforts to reorganize and streamline the department, Lugar said. Last year, Congress approved legislation authorizing the agriculture secretary to cut the number of USDA agencies from 43 to 29 and to close more than a 1,000 county field offices.

Outgoing Agriculture Secretary Mike Espy, whose last day is Saturday, already has begun that process. But Glickman must show he will be a "strong manager" who is committed to downsizing USDA, Lugar said.

Despite promising to ask tough questions, Lugar also had warm words for Glickman, who has received the endorsement of fellow Kansan and incoming Senate Majority Leader Bob Dole, a Republican.

Lugar described Glickman as an able legislator who has compiled "an impressive record" during his 18 years in Congress, and said Glickman's sense of humor had proven to be a valuable asset during previous congressional negotiations on farm legislation.

(EDITORS: STORY CAN TRIM HERE)

Lugar said he was reluctant to speculate on what specific farm policy proposals Glickman might make as agriculture secretary.

While the Clinton administration might use the confirmation hearings to outline its proposals for the 1995 farm bill, it also might wait until the hearings are concluded to finalize its ideas, Lugar said.

Lugar repeated Wednesday that Glickman's vote in late November against the new world trade agreement was disappointing, but did not disqualify him for the USDA secretary job. At the time, Glickman said the vote on the General Agreement on Tariffs and Trade was too important to be held in a lame-duck session of Congress. The pact was subsequently passed.

(EDITORS: STORY CAN TRIM HERE)

Meanwhile, the American Farm Bureau Federation issued a statement praising Clinton's decision to tap Glickman.

"As we head into debate on 1995 farm legislation, it is important that the president appoint a person knowledgeable about the needs of American farmers," AFBF President Dean Kleckner said. "I think President Clinton has done that through his choice of Dan Glickman."

Outgoing Rep. Jill Long, D-Ind., also said she "fully supported" Glickman's nomination. Long, who has taken a teaching post at Harvard after losing in the Nov. 8 election, had actively campaigned for the job of agriculture secretary.

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## GOP leaders have no illusions that agreeing on details of welfare reform will be easy

By Vanessa Gallman

Knight-Ridder Newspapers

WASHINGTON Even though the idea of reshaping the nation's welfare system is popular with the American people, Republican leaders say they have no illusions that agreeing on the details will be easy even within their own party.

Proposed legislation in the House Republicans' Contract With America that would deny benefits to unwed mothers under age 21 and to all legal immigrants is especially controversial among Republican senators.

And some Republican governors are pushing lawmakers to forget about reforming the national system and just turn responsibility for welfare over to the states.

"You are not going to find a party in lockstep," said Rep. E. Clay Shaw Jr., R-Fla., who will be chairman of the Human Resources Subcommittee that will hold the first welfare-reform hearing on Jan. 6, during the first week of the new Congress. "No one's going to come out of this process entirely pleased with the end product."

"Every issue that we deal with will be controversial, because over the last 25-30 years, these programs have built up a huge constituency" said Rep. William F. Goodling, R-Pa., incoming chairman of the Economic and

attorney in Fairfax, Va.

Jones filed her suit in May, charging Clinton with making unwanted sexual advances in a Little Rock, Ark., hotel room while he was governor. Clinton's attorneys have denied the incident took place.

Davis predicted that the president's attorneys would appeal Wednesday's decision. "Their strategy is to prevent what is their greatest fear, and that is a deposition of the president," he said.

Clinton prompted Wednesday's ruling by contending, in a motion to dismiss the suit, that "there is an overriding national interest in insulating the presidency from the distractions of private civil litigation."

Earlier U.S. Supreme Court rulings had established a constitutional protection for the president from private civil litigation, his attorneys argued.

In the June filing, Clinton's attorneys relied heavily on the case of Pentagon whistleblower Ernest Fitzgerald, who filed suit over his firing by President Richard M. Nixon.

The Supreme Court ruled in Fitzgerald's case that courts should prevent a president from "numerous, vexatious lawsuits," the motion said.

In her ruling Wednesday in Little Rock, U.S. District Judge Susan Webber Wright said she found no constitutional support for presidential immunity. She cited English Common Law in concluding that "no one, be he king or president, is above the law."

The earlier Supreme Court ruling had protected Nixon only from civil actions arising from actions taken while in office, she wrote.

Clinton's case, in contrast, arose from events alleged to have occurred before he took office.

Acknowledging the difference, Clinton attorney Robert Bennett had not sought absolute immunity for Clinton, but rather a limited immunity that would allow the case to be reinstated after he leaves office.

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In a similar case, a Los Angeles judge had ruled against then-President John F. Kennedy, who sought immunity in a case arising from a motorcade accident during his 1960 presidential campaign. Kennedy did not appeal that ruling and instead settled the case.

Nonetheless, Wright said she recognized that the presidency offered a tempting target for civil litigants.

The officeholder needs protection from the distractions of the potential flood of suits, she wrote. Earlier Supreme Court decisions, including the Fitzgerald case, had recognized the "singular importance of the president's duties" and that diversions would raise unique risks to sound government.

Also, Jones' case carried no apparent urgency, the judge wrote. Jones herself had said she sought a trial only to clear her name, and had filed suit two days before the three-year statute of limitations would have expired.

"Obviously, plaintiff Jones was in no rush to get her case to court," Wright wrote.

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If Clinton leaves office after one term, her ruling would delay the trial only two more years, the judge noted.

That wouldn't prove a great delay beyond a normal schedule for the case, Davis said. "If we were to seek a trial date today in Arkansas, I understand it would take a year."

Should Clinton win re-election, the trial would have to wait until 2001. But Davis said he understood the desire to protect the president from the distractions of a trial.

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At any rate, Jones probably could not win an appeal of the judge's scheduling decision, a legal scholar said.

"District court judges have tremendous room to maneuver in setting the schedules for a case," said Harvard University law Professor Charles Fried, who was solicitor general under President Ronald Reagan.

But Clinton also has slim chance of overturning the judge's decision to allow the gathering of evidence to proceed, Fried said. The president's attorneys would more likely succeed in winning an order from Wright to seal Clinton's testimony, he said.

In her suit, Jones charged that Clinton kissed and touched her and asked her to perform a sex act in the alleged encounter at the Little Rock hotel.

She says she refused and left, but feared for her job and later was denied promotions and pay raises. In her suit, she is seeking damages of \$700,000.

## Welfare specialists say GOP plan rests on false assumptions

By George Rodrigue  
Dallas Morning News

WASHINGTON Until now, welfare reform has foundered on several political and economic contradictions:

Most Americans want to help people who cannot find work, but doing so can discourage those people from even seeking jobs, pollsters say.

Most people want to focus limited resources on the poorest families. But those are the families without fathers present, and helping them can give mothers incentives not to marry.

Almost everyone wants to help poor children, but far fewer want to help able-bodied adults.

Congress' new Republican leaders argue that the contradictions can be resolved by ending welfare payments to most of the 13.6 million Americans who receive them.

Freed from welfare, they say, adults will find decent jobs, and most young women will marry before having children. And if some of the 9.2 million children on welfare do fall into dire poverty, they can enter orphanages, group homes or foster care.

Many specialists in welfare reform say the GOP's plans rest upon unproven or false assumptions.

"A lot of very smart people have studied these problems for a very long time," said David Cordray, professor of public policy at Vanderbilt University. "That suggests that the problem is a lot more complex than cutting benefits and opening orphanages."

He and others said that the Republicans' Personal Responsibility Act, drafted under their Contract With America, could have grave consequences including an explosion of poverty, homelessness and crime.

"You couldn't build walls high enough or move to suburbs remote enough to escape this problem," said Eileen McCaffrey, executive director of the Orphan Foundation of America.

Poverty researchers across the political spectrum agree that the welfare system needs an overhaul, particularly to reduce the number of unwed, unemployed mothers and of fathers who abandon their children.

Unwed teenage mothers tend to drop out of high school, a virtual guarantee of future poverty, studies show. In 1992, 48 percent of all female-headed households fell below the poverty line, compared with only 9.6 percent of married couples with children.

From 1960 to 1990, births to single white mothers rose from 2.3 percent to 20.4 percent of all births, said Kent Weaver of the Brookings Institution, a nonpartisan Washington research group.

Among blacks, the percentage of babies born to single

women rose from 21.6 percent to 66.5 percent.

The Clinton administration proposed a plan last summer that would reduce benefits for young unwed mothers. It would cut cash payments to younger recipients after two years and require them to begin work.

Some state and national Republican leaders propose a lifetime ban on welfare benefits for children born to young unwed mothers. Everyone else would be barred for life after two to five years of public assistance.

They hope to pay for their plan by eliminating federal benefits for legal immigrants.

"We don't have to care for all the world's poor just because they happen to live here," said Rep. Clay Shaw, R-Fla.

Cordray, a former critic of welfare programs for Congress' General Accounting Office, said the GOP's boldness has at least drawn public attention to the welfare system's problems.

"Hopefully that will allow people who are more reasonable or more aware of the facts to say, 'This would be the wisest way to proceed,'" he said. "I just hope there's enough time to weed out the bold, bad ideas."

He and other experts say the Republican proposals raise several questions:

Does welfare cause out-of-wedlock births?

Welfare does guarantee that single mothers will have a survival income. A single Texas mother with two children could get combined Aid to Families With Dependent Children and food stamp benefits of \$479 monthly, plus Medicaid health insurance.

But whether welfare provides an incentive to have children outside of marriage is debated.

"If we eliminate these subsidies, we will cut the out-of-wedlock birthrate by half," said Robert Rector, a welfare-reform expert with the Heritage Foundation, a conservative research organization.

University of Washington professor Bob Plotnick has concluded that welfare plays virtually no role in whether poor young women choose to bear children. In some high-benefit states, he said, it may encourage pregnant young women not to marry but only slightly.

Professor Christopher Jencks of the University of Chicago estimates a birthrate reduction, but a smaller one than Republicans estimate 10 to 20 percent.

"It's a question of values," Jencks said. "Would you be willing to make most of the kids suffer quite a bit in order to reduce the number being born by a little bit?"

In any event, the GOP's proposed welfare-cutting experiment already has been tried, said Mark Robert Rank, a sociology professor at Washington University in St. Louis.

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From 1970 to 1984, the average monthly AFDC benefit to a family of four fell from \$799 to \$435. Meanwhile, the proportion of out-of-wedlock births increased from 11 percent to 30 percent of all births.

During that period, the birthrate among unmarried, nonwhite women fell, said David Ellwood, a former Harvard University professor of public policy who joined the Clinton administration to draft its welfare-reform bill.

At the same time, careers and contraception helped drop the fertility rate for married women from 120 children to 45 children per 1,000 women.

That alone would have increased the percentage of all children born out of wedlock. But the country also underwent a massive shift in attitudes toward sex outside of marriage.

The National Opinion Research Center found that 80 percent of adults opposed nonmarital sex in 1963. By 1975, only 30 percent favored abstinence.

Nowadays, high school programs that teach young people

to avoid unwanted sex and in-school clinics that dispense information and contraceptives are among the few proven means of reducing teen pregnancy.

"I'd prevent pregnancies by preventing pregnancies, if it were up to me. But I wouldn't eliminate the safety net for the children who are born," said Plotnick.

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Does welfare harm children?

Supporters of the Republicans' Personal Responsibility Act say denial of welfare would not only cut out-of-wedlock births but also would be better for the children themselves.

Conservative political scientist Charles Murray calls for putting the children in orphanages. Rector of the Heritage Foundation favors adoption.

"There is no environment in the U.S. today that is worse for children than being raised by a single young mother alone in an apartment with a welfare check," Rector said.

Both say children in these environments should be moved now.

Likely incoming House Speaker Newt Gingrich argued during a recent television interview that funding orphanages instead of welfare would increase the options available to young unwed mothers.

Debbie Weinstein, a family-income specialist with the liberal Children's Defense Fund, said parents have the option of putting children up for adoption or foster care. Gingrich's plan would simply deny support to parents wanting to keep their children.

Doug Besharov, a conservative analyst with the American Enterprise Institute, said it would cost \$72,000 annually to put the average welfare family's children in an orphanage, compared with about \$15,000 in current per-family costs for cash, food stamps, Medicaid, housing and all other services.

That alone, he said, makes orphanages at best "a mirage."

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Weinstein also said that research challenges GOP contentions that welfare harms children.

Partly because welfare families live in some of America's most deprived and dysfunctional areas, they face troubles and stresses unknown to middle-class families, she said. Roughly half of all children in the foster-care system came from AFDC households.

But only about 2.5 percent of all children on AFDC have been taken away from their parents by child-protection workers.

Nor are most children on welfare ensnared for life.

A 1988 study found that one-fifth of the girls who grow up highly dependent on welfare continue to lean upon it heavily as adults. Almost two-thirds of the women who grew up on welfare received none as adults.

Weinstein said that 14 percent of all children on welfare have been suspended or expelled from school. That's twice the rate of children who aren't poor, but only a percentage point above the rate for poor children not on welfare. Welfare children also are as healthy as poor children in general.

On the other hand, studies in Denver and Seattle found that raising welfare benefits cut school dropout rates by one-fifth.

Child-welfare advocates also question GOP proposals to put more poor children into adoptive or foster homes.

"There are 50,000 kids in foster care now, awaiting adoption. But they do not tend to be the healthy white infants that childless couples are waiting for," said Deborah Smith, director of the National Adoption Information Clearinghouse.

Foster care is "overloaded already and not doing a very good job," said the orphan foundation's McCaffrey.

Indeed, the system has been racked over the past decade by reports of neglected and abused children.

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Will work replace welfare?

Including the loss of Medicaid minimum-wage jobs pay \$4.25 hourly and generally lack health insurance many recipients actually find their families worse off once they start working, according to an annual congressional statistical summary of welfare programs.

Even so, most welfare recipients do get jobs. Half of those entering the system leave within two years. Seventeen percent stay on for more than eight years, and at any given time they account for roughly half the adults on welfare, according to the summary.

The Clinton administration's welfare reform bill would require younger, able-bodied parents to attend school or job-training classes. After two years of cash assistance, they would be required to seek private-sector jobs.

Those who abided by program rules but failed to find a job would be guaranteed a slot in a public jobs program.

The GOP's Personal Responsibility Act would apply to all AFDC heads-of-household. It would require that they be pushed out of "workfare" after two to five years, to sink or swim in the private job market.

Several researchers said the Republican proposal fails to allow for a shortage of low-skilled jobs nationwide particularly in some rural and inner-city areas as well as huge differences in the skills and abilities of adult welfare recipients.

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A small share of people on AFDC are college educated. But 5 percent are eighth-grade dropouts, and almost one-fourth did not finish high school. Five percent are classified as "incapacitated."

"Half the welfare population now gets off the rolls because of work. But two-thirds of them come back on," said Demetra Nightingale, a labor-market specialist for the Urban Institute, a nonpartisan, nonprofit research group in Washington. "The trouble is keeping them employed, getting them wages high enough to stay out of poverty."

A flat benefits cutoff "flies in the face of reality," said Mr. Rank, the Washington University sociologist. "People lose jobs. They get sick. You are going to make it much harder for them to get out of poverty, because they'll become homeless. Their lives will fall apart."

## White House readying response to GOP plan on welfare

By George Rodrigue

Dallas Morning News

WASHINGTON Recovering from its election humiliation, the Clinton administration is preparing a comprehensive response to Republican plans for steep cuts in health and welfare programs.

Senior White House and government agency officials foresee a combination of advances and retreats as the sometimes-conflicting demands of policy and politics permit.

In interviews last week, they predicted that as Congress begins work in January the administration will:

Push new health-insurance, housing and welfare initiatives aimed at giving the poor a ladder out of welfare dependency.

Seek to maintain a federal "safety net" under the poorest American households, primarily through the food stamp program.

Give the states more flexibility in administering the

much-less-popular cash-based program, Aid to Families with Dependent Children.

Fight to regain the political heights of the welfare debate, by stressing issues that polls show even welfare-wary Americans care about: hunger, homelessness and protection of children.

So far, White House aides concede, likely incoming House Speaker Newt Gingrich, R-Ga., and his allies have dominated the welfare-reform debate by branding almost all poverty programs as expensive incubators for poverty, crime and out-of-wedlock births.

Clinton already has said that he agrees with some of the GOP's criticism, particularly that welfare programs do too little to help parents enter the workforce.

The president introduced a welfare reform bill last summer that was more far-reaching than anything suggested by former Presidents Ronald Reagan and George Bush.

It would require that teenage unwed mothers stay home and finish school. Other young parents would be required to work for their benefit checks, in government-paid jobs if necessary, after two years of cash assistance.

But the administration opposes many of Gingrich's proposals, which it regards as too punitive. The GOP's "Personal Responsibility Act" would ban AFDC payments to young unwed mothers and cut off benefits forever to families that have received as little as two years of aid.

The plan also bans welfare and government-funded "workfare" jobs for those who have received more than five years of benefits.

In coming months, Clinton's aides say they intend to stress the costs of adopting such a program, including the likelihood of increased homelessness, hunger and crime.

"We're arguing that people who play by the rules should know they'll come out ahead," said one administration official. "The Republicans are basically saying, 'Sink or swim.'"

White House officials, speaking on condition of anonymity, said many details of their final package will not be settled until after an early January summit meeting involving the president and governors.

"It's extremely unlikely we'll announce anything before then," said one senior administration official. "We mean for this to be a genuine working session."

But, he said, "We have a philosophy, and we are putting proposals on the table that reflect that philosophy."

Some in the administration hope to provide health insurance to the children of lower-income working families, perhaps by issuing vouchers to help them buy private coverage.

That is a retreat from last year's effort to reform all U.S. health care, but supporters of the idea say it has two major advantages.

First, studies indicate that the lack of such a program keeps some women on welfare. Most entry-level jobs do not include health benefits, and when AFDC families enter the workforce they eventually lose their Medicaid health coverage.

By covering the working poor, the Clinton plan could keep some families from ever entering welfare and serve as an extra work incentive for those already on AFDC.

Beyond that, polls indicate that a children's health initiative is good politics.

"The idea of putting children first was quite popular with the last session of Congress, so I'm sure that many there will be interested in looking at it again," said one official involved with the planning process. "But we are still working out the details."

AFDC, the chief welfare program, has been targeted for sharp cuts by some congressional Republicans. Others want to turn it over to the states.

Even before the GOP's Nov. 8 election romp, the

administration's Department of Health and Human Services had approved a record 20 waivers for state experiments with AFDC.

Officials predicted that the administration would agree to further "devolution" of AFDC responsibilities to the states.

Food stamps are another matter, they said. The food program has substantial political support among Republicans and Democrats.

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## If you thought '94 was a tumultuous year, you should see what's in store for '95

By Carl P. Leubsdorf  
Dallas Morning News

WASHINGTON The year 1994 was tumultuous. Will 1995 be different?

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**JANUARY:** In an unprecedented 26-hour session, the House passes Republican reform rules. Two weeks later, it approves balanced budget amendment. Texas Gov. George W. Bush urges prompt enactment by Senate and states. In unusual move, both Republicans and congressional Democrats get TV time to answer President Clinton's State of the Union speech. Mr. Clinton's approval level drops to 36, but Sen. Bob Kerrey says he won't challenge his re-election. Cowboys outlast San Francisco 49ers in triple overtime to win NFC title and edge Steelers 9-7 for third straight Super Bowl.

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**FEBRUARY:** House approves a constitutional amendment limiting congressional terms by one vote after Speaker Newt Gingrich and Majority Leader Dick Armey switch their "no" votes. Civil war breaks out in Siberia, and President Boris Yeltsin asks Jimmy Carter to intercede. President Clinton announces staff shakeup, naming Hillary Rodham Clinton as chief of staff and Barbra Streisand as first lady. Texas Sen. Phil Gramm announces that, if elected president, he will decentralize federal agencies, moving the NASA to Houston and the Agriculture Department to College Station.

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**MARCH:** Vice President Al Gore admonishes Senator Kerrey to support President Clinton. Despite fervent speech for term limits by 92-year-old Sen. Strom Thurmond, Senate rejects it by the two "no" votes cast by GOP leaders Bob Dole and Trent Lott. But it passes the balanced-budget amendment, sending it to the states. Cowboys' Coach Barry Switzer quits to become ESPN analyst.

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**APRIL:** With his job approval at 27 percent, President Clinton asks for Vice President Gore's resignation. Mr. Gore refuses. Seven states approve balanced-budget amendment. Baseball season begins with replacement players, and fans flock to see White Sox outfielder Michael Jordan. Texas Rangers, with University of Texas varsity players, grab first place in the American League West.

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**MAY:** Speaker Gingrich proposes new way to end legislative gridlock: he may run for both Congress and president in 1996. Dallas Mavericks reach second round of NBA playoffs before losing to eventual champion Phoenix Suns. Former Secretary of State Jim Baker says he is thinking of running for president. Governor Bush reverses support of balanced-budget amendment after Lt. Gov. Bullock says it might force Texas to pass an income tax to pay for former federal programs.

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**JUNE:** Jesse Jackson warns Senator Kerrey against running for president. Congress passes 10 percent income tax cut for all; President Clinton vetoes it and urges cut limited to middle class. Senate fails to override veto. Rangers plummet after UT players quit to protect eligibility for 1996 Olympics. Returning from Siberia peace mission, former President Carter discovers President Yeltsin has fallen from power and his successor has recognized an independent Siberia.

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**JULY:** Heeding half of candidate Lamar Alexander's plea to "cut their pay and send them home," Congress adjourns for summer so members can take jobs in their home states. But it doesn't cut salaries. President Clinton's approval reaches 19 percent, and he fires chief of staff Hillary Rodham Clinton, rebuffing her plea to return as first lady. Mr. Clinton becomes his own chief of staff. Mrs. Clinton then threatens a primary challenge and is admonished by Vice President Gore. Republican legislatures in Ohio, Michigan, Illinois and Wisconsin reject balanced-budget amendment.

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**AUGUST:** After one year, baseball strike is settled. New commissioner Mario Cuomo announces that because of the short time left in 1995, teams will resume the 1994 season where it was suspended. Jim Baker says he is seriously considering a presidential race. Instead of jobs in their home states, Senators Dole and Gramm and Speaker Gingrich are found working in Iowa as radio talk show hosts.

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**SEPTEMBER:** Returning to work, Congress again passes across-the-board tax cut, this time overriding Mr. Clinton's veto. Stock Market drops 500 points in expectation of increased deficit. On eve of season, Cowboys name Tom Landry as their new coach. Senator Gramm announces he has raised \$50 million for his presidential campaign.

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**OCTOBER:** Rangers blow the 1994-95 pennant race in the final game to Seattle Mariners. Yankees win World Series over Houston Astros. Former Oklahoma Rep. Dave McCurdy announces he will challenge President Clinton in Democratic primaries. Though Mr. Clinton's ratings continue in low 20s, polls show public approval of congressional GOP is barely higher. Republican conference ousts Speaker Gingrich and replaces him with Majority Leader Armey. Jimmy Carter finally wins Nobel Peace Prize. Ross Perot says he won't run for president in 1996.

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**NOVEMBER:** White House announces Jimmy Carter has been called in to end civil war in Democratic Party. Former Speaker Gingrich announces presidential candidacy. So do 12 other Republicans. Former first lady-chief of staff Hillary Rodham Clinton moves to Arkansas and becomes Paula Jones' new lawyer.

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**DECEMBER:** With Mr. Clinton's approval at an all-time low of 16 percent, Vice President Gore and Jesse Jackson announce they will challenge his renomination. Ross Perot then announces he will run again. Jim Baker decides not to run for president. Tom Pauken resigns as state GOP chairman to challenge Senator Gramm for renomination to U.S. Senate.

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(Carl P. Leubsdorf is Washington bureau chief of The Dallas Morning News.)