Introduction

In 1994, welfare caseloads reached a historic high of 5.1 million families, about 15 percent of all American households. Since then, the welfare rolls have been cut in half, partly as a result of the strong economy of the late 1990s, and partly as a result of radical welfare reform, which began in 1996, when the Clinton administration fulfilled a pledge to "end welfare as we know it." The administration eliminated Aid to Families with Dependent Children (AFDC), the main cash welfare program for poor women and children in the United States, which had given cash payments directly to eligible women to support them and their families, and replaced it with the Temporary Assistance for Needy Families (TANF) program—its very name underlining the transitory nature of the assistance. TANF limited women to a lifetime total of five years of support, toughened work requirements, and strengthened sanctions on women who did not comply. Under TANF, the poor are no longer "entitled" to state and federal cash assistance, and the federal government's commitment to match state spending on welfare caseloads ended.

TANF brought with it dire warnings of catastrophe. A widely cited report from the Urban Institute, a Washington policy think tank, predicted that welfare reform would push 1.1 million children into poverty.[1] Two high-ranking Clinton appointees, officials at the Department of Health and Human Services, resigned in protest

when President Clinton signed the bill.[2] Marian Wright Edelman of the Children's Defense Fund wrote an open letter to President Clinton protesting, "It would be a great moral and practical wrong for you to sign any welfare 'reform' bill that will push millions of already poor children and families deeper into poverty."[3] Senator Daniel Patrick Moynihan argued in the Senate that [this] "is not 'welfare reform,' it is 'welfare repeal.' It is the first step in dismantling the social contract that has been in place in the United States since at least the 1930s."[4]

The anticipated disaster never materialized, but commentators continued to warn that we had staved off disaster only because of the buoyant economy. The picture, they contended, would be considerably less rosy when the inevitable downturn occurred. Yet even during the recession and "jobless recovery" of the past few years, the number of children in poverty has not dramatically increased.

One reason we avoided disaster is that, even before the reforms of the mid-1990s, cash welfare had been a decreasing part of the welfare system for many years. In 1996, many families receiving AFDC also received "in-kind" assistance—food assistance, housing assistance, free medical care, and subsidized child care—programs providing specific goods, often targeted directly to needy children. Discussions of "welfare" often ignore these non-cash programs, even though they account for the bulk of spending on low-income families. Other safety net programs, most notably the Earned Income Tax Credit (EITC), provide cash. The EITC underwent a dramatic expansion during the 1990s and now provides more cash to low-income families than does TANF.

These programs, which came into their own with the rise of TANF and the end of cash welfare, form a largely invisible but tremendously important social safety net, providing basic necessities to poor families. As Douglas Besharov, a conservative commentator at the Heritage Foundation, noted, "Only the expanded aid now available to low-income, working families . . . makes it worthwhile for them to leave welfare."[5] In his book about welfare reform, *American Dream*, Jason DeParle put it more colorfully, describing cash welfare as one leg of a three legged stool that welfare mothers

relied on for support. Since cash welfare was only one leg, it could be replaced by work or by contributions from friends or relatives.[6] My argument is essentially, that there is a fourth leg to the stool—support from the EITC and non-cash programs. By 2002 only a small fraction of aid to families, less than 10 percent, took the form of cash welfare payments—only 5 million people were on TANF. In contrast, even allowing for considerable overlap in the rolls of individuals who participate in these programs, more than 30 million people participated in other safety net programs including the EITC, Medicaid, food and nutrition programs, housing assistance, and subsidized child care. (A complete listing of expenditures and caseloads for the programs discussed in this book is shown in appendix table 1.)

These programs are the focus of this book, which assesses and analyzes the importance and effectiveness of individual programs in supporting low-income families (especially children) and discusses how both to ensure their continued existence and improve their performance. As I argue throughout the book, evidence suggests that in-kind programs are more effective than cash at improving the welfare of poor children in specific domains. It should surprise no one that a program like Medicaid, which provides health insurance to poor children, is more effective in promoting the use of health care than a cash program that is not targeted at any particular outcome. And while I assess the programs individually, they act together, providing a broad-reaching and comprehensive net that especially protects young children in low-income families. This may seem a basic point, but understanding how the different strands of the net reinforce one another is exceedingly important, not only to get a sense of how the United States treats its poor but also to reinforce the idea that these programs act together and do constitute a system, one subject to dismantling. Pulling on one thread—say, the funding of one part of one program—is liable to start the unraveling of the whole tenuous system, unless we recognize the reality that these programs create something greater, in much the same way that a net is greater than the sum of its individual ropes.

Senator Moynihan's belief that replacing AFDC with TANF would create terrible and widespread hardship was wrong, but his prediction that TANF would prove the first step in the dismantling of the social welfare system may well turn out to be right. The invisible safety net is under attack, and is in danger of being unraveled, one strand at a time. Perhaps the passage of TANF made it inevitable that critical eyes would turn from cash welfare to other aspects of the system. In the Brother's Grimm story, Cinderella shone in comparison with her wicked stepsisters. Similarly, programs that provide food and child-care benefits directly to children looked good in comparison to welfare programs that made cash payments to their parents. Now that the "wicked stepsister" of direct cash payments has been greatly reduced in importance, this comparison has become less salient and attacks are increasingly focused on the in-kind safety net programs themselves.

The battle to end all welfare programs has three fronts. First, critics single out individual programs, disputing both their efficacy and how they are administered. I argue that a careful investigation of the evidence suggests that most in-kind safety net programs are remarkably effective in improving the lives of poor children. As I discuss, critics have alleged widespread fraud in virtually every safety net program, including EITC, Head Start, the National School Lunch Program, and WIC (the Supplemental Nutrition Program for Women, Infants, and Children). These allegations have been investigated and proven largely without foundation. That is, virtually anything you can think of in terms of fraud probably has happened at least once, but there is no evidence to support common charges of widespread gross abuses. Yet each time Congress discusses the funding of a safety net program, these allegations of fraud and abuse resurface.

The ballooning federal budget deficit poses a more subtle but very real second threat to safety net programs. If the deficit continues to grow, as it has in recent years, we will increasingly hear arguments that there is simply no money left for anti-poverty programs for children. In this new fiscal regime, enormous pressure will inevitably press on non-defense-related federal programs, potentially

squeezing them out of existence. Safety net programs for children are particularly vulnerable because Congress must periodically reauthorize spending on them. Given current budgetary realities, supporters of safety net programs will have to fight hard for the programs' very survival.

A third line of attack argues that, like TANF, control of the remaining safety net programs should be transferred wholesale to the states. This approach poses a subtler challenge to the safety net. It does not appear on its face to cut any program, and it satisfies the current push for "states' rights." The programs discussed in this book are all currently subject to federal guidelines even if they are administered at the state or local level. Many of the programs are "entitlements," which means that anyone who applies and meets the eligibility criteria must be given benefits. An alternative vision of the safety net—the block grant approach—would take the money set aside for federal programs and give each state a block grant of federal funds. States would then be free to design their own programs and to spend their block grants more or less as they choose.

The issue of which level of government should be responsible for which functions has always been controversial. According to Woodrow Wilson, "The question of the relation of the States to the federal government is the cardinal question of our constitutional system. At every turn of our national development, we have been brought face to face with it, and no definition either of statesmen or of judges has ever quieted or decided it."[7] Many people believe that anti-poverty programs should be devolved to the states as a matter of "states' rights." The idea that government at the state level is "closer to the people," and therefore better, sometimes seems to be taken as a self-evident truth. Such arguments might seem more a matter for constitutional scholars than for policymakers, but there are at least three economic reasons why such devolution could pose a severe threat to the safety net.

First, a major practical difficulty with making the states responsible for anti-poverty programs is that most states cannot run budget deficits. Under existing federal safety net programs, more people become eligible and entitled to assistance when times are bad. This

means that federal payments for safety net programs rise automatically in bad times (the federal government can, and famously does, run deficits, meaning that it has few practical short-term spending limits). In contrast, under a state block grant system, there is no guarantee that federal payments to states will respond to economic conditions. Once the federal government delivers the grant, states are on their own. If state revenues fall as need grows, which is likely during an economic downturn, there will be cutbacks in state-financed services.

This is precisely what we're currently seeing. An unprecedented economic boom accompanied the implementation of TANF in the mid-90s, and states were able to use part of their TANF block grants for other purposes such as child-care assistance, while still covering those who met TANF enrollment criteria. But in recent years, cash-strapped states have been forced to cut spending on social welfare programs, and the proposed federal budget for 2005 threatens to cut the block grants even further. The federal government has ignored state pleas to increase assistance to offset declining state revenues. The current crisis in social services in many states would have been even more severe without the stabilizing influence of other federally financed programs.

Whether a program is more efficiently run at the federal or at the state level is an empirical matter that is likely to depend on the characteristics of the individual program. For example, programs like highway building may withstand periodic cyclical cuts in state budgets at little cost. States can build highways in good times and refrain from building them in bad times. But temporary cutbacks in the Medicaid program during bad times could permanently harm vulnerable children in a way that cannot be easily made up when budgets improve. It is much easier to fill a pot-hole than to help a child whose untreated hearing problem has already led to schooling delays. Neglecting children is likely to have widespread social effects down the road; it's not something we neglect in bad times only to pick up when the economy picks up. Children are not a public works project.

A second, related problem is that there is a real danger that federal block grants would fail to keep pace with necessary increases in

expenditures. For example, the rising costs of medical care make the Medicaid program (which provides health insurance to low-income women and children, elderly nursing-home patients, and the disabled) one of the fastest growing government programs. At the moment, this is a problem not only for states but also for the federal government because the federal government matches state Medicaid expenditures. The fact that the federal government matches their expenditures gives states an incentive to keep spending on health care. In contrast, if the programs were block-granted to the states, and indexed to the rate of inflation, states would find that the block grant covered less and less of their expenditures for indigent care over time. Medical costs have been growing faster than the rate of inflation for decades, and there is no sign that this trend is abating.

The third and most fundamental objection to the block grant approach is that it would abandon any pretext of a uniform national safety net for low-income children. If we truly believe that no American child should be malnourished, that all children should have access to necessary medical care, and that every child should have access to high-quality early care and education, then it makes sense for the federal government to specify minimum standards for these services and to make sure that even the poorest states have the resources to provide them. The federal concern with civil rights justified abrogation of the state "right" to run segregated schools and enforce Jim Crow laws. Similarly, a pressing federal interest demands that the government ensure at least a minimal set of basic services for all American children.

Public support for the safety net springs from a strong desire to help poor children and a belief that children should not suffer for the shortcomings of their parents. But until recently, few researchers asked whether welfare benefited children. Researchers instead focused on whether cash welfare affected the behavior of parents; their main concerns were whether women on welfare earned less, married less, or had more children. No one has ever specified exactly what specific benefits (if any) children were expected to gain from parental participation in cash welfare. In contrast, the safety

net programs discussed in this book have clear goals: We give children food because we do not want them to be hungry, we give them medical care so that they will not be sick, we provide housing so that they will not be homeless, and we provide enriched early care and education in an effort to promote school readiness. The focus should not be on what level of government has the right to administer such programs, or on grinding any ideological ax, but on how we as a nation can help poor children most effectively.

This book first describes the key components of the safety net and demonstrates that these individual programs can and do make a difference in the lives of low-income children. Moreover, in-kind safety net programs such as Medicaid, WIC, and Head Start have large and lasting effects on child well-being. Hence, they have quietly served as a more effective answer to the problem of poverty than the cash programs people usually focus on. Here is a commonsense proposition: It is easier to benefit children by providing them directly with things that they need than by developing programs that attempt to benefit children indirectly by changing their parent's behavior. While welfare reform has been very successful at getting low-income women to work, there is little evidence that this has had much impact, positive or negative, on children. The effectiveness of these alternatives to cash welfare is the focus of much of the book.

The important question for policy, however, is where do we go from here. I'll return to some options in the conclusion, but it's worth discussing them briefly now, before we begin our tour of the individual programs. The first option is to dismantle existing federal programs and start over from scratch with new programs that are administered at the state level. This is the option people seem to have in mind when they propose taking money from federal programs and block-granting it to states. I argue that dismantling existing programs in favor of untried ones would not be sound public policy.

A second option is to keep the structure of existing federal programs as it is but to make incremental reforms to each program. The discussion in this book acknowledges and catalogs many valid criticisms of existing safety net programs, and addresses specific

reforms with respect to each program. Incremental reform may be the best that we can hope for in the current political and economic environment. Incremental change based on careful research is not glamorous, but it is likely to be more productive than scrapping existing programs entirely in favor of new, unproven ones. Moreover, dismantling the existing safety net program-by-program would leave gaping holes in efforts to help low-income families, which might or might not be filled by new programs.

A third, more utopian option, would involve the integration of existing programs into a much more effective safety net. Piecemeal reform of existing programs would leave important big-picture issues unaddressed. For example, one of the largest holes in the current safety net is that it does not serve all eligibles. Individual programs all have different eligibility criteria and require different actions on the part of would-be users, greatly increasing the costs of participation to poor families. Even if a systemic reform is not likely to be adopted in the near future, it is useful to have a vision of what it might look like. The final chapter lays out this vision.

Briefly, I argue that coordinating eligibility requirements across programs would cut administrative costs and help poor people to access these programs. Integrating existing programs into a stronger safety net would also help to convince people to think about these programs as a whole—as strands in a single net—rather than as a series of unrelated individual programs. Attacks on the individual programs seldom make the front page because most readers don't see that the safety net comprises many programs and that tugging too hard on one strand of the net may lead to its unraveling. And since attacks tend to come in the form of Congressional discussion of the arcane rules and complicated funding arrangements that stand behind most of these programs, matters of vital importance to many families remain buried in obscurity.

An even more radical reform would involve using the tax system to administer the safety net, which is currently how the EITC works. This would allow the government to phase out slowly many different types of program benefits as recipients' incomes rose. At present, the fact that people stand to lose many benefits with slight

increases in earnings is a disincentive to work, and a barrier to economic advancement.

Most other books about poverty and welfare reflect public and scholarly preoccupations with cash welfare programs and largely ignore this invisible safety net. Years of benign neglect by scholars and policy analysts pose their own threat to the safety net, as policymakers may not recognize the importance of key programs until it is too late. More than a decade of research has convinced me that safety net programs generally accomplish their goals and are a crucial part of the continuing fight against poverty among children. If we truly believe that our children are our future, then we must protect these programs against those who would dismantle them, and move forward with reforming them to face the twenty-first century.