

# The Coming Welfare Crisis

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As the seventies drew to a close there transpired in America a new consensus on welfare. From all parts of the political spectrum experts rushed forward to announce in confident tones beliefs that would have seemed shocking just a few years before. Within recent memory, there had been high expectations for "welfare reform," based on an earlier consensus in favor of federal income supports designed — depending on considerations of cost and work incentives — to lift all American families out of poverty. It was to be a negative income tax, redistributing money to the poor as automatically and comprehensively as I.R.S. takes it from the rest of us. Endorsed on various occasions by such diverse voices as Richard Nixon, Milton Friedman, George McGovern, Paul Samuelson, and — above all, in eloquent persistence, Daniel Patrick Moynihan — it was an idea whose time had apparently come.

Then in 1977, the same general position was adopted by President Jimmy Carter . . . and by coincidence, so it seemed, nearly all the others abandoned it. Moynihan announced, with great courage and simplicity: "I was wrong." Books and articles poured forth declaring that the present welfare system, for all its manifest faults, was, as it were, "our welfare system, right or wrong": an almost geological feature, one expert described it, with rocks and rills and purpled hills like America itself. "A wonderfully complex array of programs, payment levels, and eligibility rules," wrote Martin Anderson, Ronald Reagan's counselor: "a complex welfare system dealing with the very complex problem of the poor in America." Anderson thought benefit levels could even be raised if work and child support requirements were stiffly enforced. But this new attitude of skeptical resignation to the existing system is no more promising than the earlier credulity toward radical reforms. Neither approach faces the most fundamental welfare problem,

\* This article is adopted from *Wealth and Poverty*, by George Gilder, forthcoming from Basic Books.

and both raise the danger of a welfare catastrophe in years ahead.

For many years, defenders of welfare have acknowledged that the system was harsh on intact poor families. The answer, it was widely agreed, was to extend benefits to families with unemployed fathers. This was done in twenty-six states and, to the surprise of some observers, had no effect on the rate at which poor families disintegrated. The reason was clear. As under the guaranteed income plans tested in Denver and Seattle, which showed some sixty percent increases in family breakdown and disastrous declines in work, the marriages dissolve not because the rules dictate it, but because the benefit levels destroy the key role and authority of the father. He can no longer feel manly in his own home. At first he may try to maintain his power by the exercise of physical strength. But to exert force against a woman is a confession of weakness. Soon enough, he turns to the street for his male affirmations.

These facts of life have eluded nearly all the sociologists who have studied the statistics of the welfare family. The studies focus on poverty and unemployment as the prime factors in family breakdown because the scholars fail to comprehend that to a great extent poverty and unemployment, and even the largely psychological conditions of "unemployability," are chiefly reflections of family deterioration. In any multiple regression analysis, these economic factors will loom largest as causes of family breakdown because they contain and reflect all the other less measurable factors (such as male confidence and authority) which determine sexual potency, respect from the wife and children, and motivation to face the tedium and frustration of daily labor. Nothing is so destructive to all these male values as the growing, imperious recognition that when all is said and done his wife and children can do better without him: the gradually sinking feeling that his role as the provider, the definitive male activity from the primal days of the hunt through the industrial revolution and on into modern life, has been largely seized from him; he has been cuckolded by the compassionate state.

His response to this reality is that very combination of resignation and rage, escapism and violence, short horizons and promiscuous sexuality that characterizes everywhere the life of the poor. But in this instance, the pattern is often not so much

a necessary reflection of economic conditions as an arbitrary imposition of policy: a policy that by depriving poor families of strong fathers both dooms them to poverty and damages the economic prospects of the children.

In the welfare culture, money becomes not something earned by men through hard work, but a right conferred on women by the state. Protest and complaint replace diligence and discipline as the sources of pay. Boys grow up seeking support from women, while they find manhood in the macho circles of the street and the bar, or in the irresponsible fathering of random progeny.

The “crackdown” type of welfare reform attempts to pursue and prosecute negligent fathers and force them to support their children. But few of these fathers have permanent jobs that they value enough to keep in the face of effective garnishment. Those who do have significant incomes often give money voluntarily to the mothers of their children. But these funds are rarely reported. The effect of child support prosecutions in such cases is usually to reduce the amount of money going to the children by effectively diminishing the AFDC (Aid to Families with Dependent Children) allotment and to transform the father’s payments from a morally affirmative choice into an embittering legal requirement. He tries to escape this situation as soon as he can. Attempts to force people to work and to support their children — when it is clearly against the financial interest of both them and their children — will always fail.

In the cases of the so-called “love children,” born of barely post-adolescent fathers or of others passing by, the child-support litigations are equally futile, for the children are really the offspring of the welfare culture of AFDC. In a free society a man cannot long be made to work to pay for children whom he rarely sees, kept by a woman who is living with someone else. Work is not a matter of mere routine but of motivation — x-efficiency, as it has been called. The fathers arraigned for child support in the welfare culture typically make a few desultory payments and then leave their jobs or leave town. Some of them enter the world of part-time work for cash, or the more perilous but manifestly manly world of crime. Others eventually get new jobs in the often reliable hope that the computers will not catch up with them again. But the general effect is to add to the perils of employment and marriage.

Work requirements are particularly futile because they focus on women with small children, the official welfare clients, rather than on the unlisted beneficiaries — on the men who subsist on the system without joining it, who live off welfare mothers without marrying them. These men are not necessarily fathers of the particular children they happen to be living among. They are just men who live for awhile with a welfare mother, before moving on to another one. These men are the key beneficiaries — and victims — of the system. Because the system exists, they are not forced to marry, or remain married, or learn the disciplines of upward mobility.

There are hundreds of thousands of these men. Their legion is the inevitable counterpart of the mass of welfare mothers who preoccupy all the social workers and reformers. Yet the mothers in general cannot lift their families out of poverty; nor can the social workers. Making the mothers work confers few social benefits of any sort and contributes almost nothing to the fight against poverty. Only the men can usually fight poverty by working, and all the anti-poverty programs — to the extent they make the mother's situation better — tend to make the father's situation worse, reducing his redemptive need to pursue the longer horizons of career.

These unlisted welfare men form a group almost completely distinct from the "able bodied men" actually listed on the rolls — aging winos, over-the-hill street males, wearied ex-convicts, all the halt and lame founderers of the world — who receive money under the "general assistance" category and are harassed mercilessly during every crackdown. The real able bodied welfare fathers are almost universally contemptuous of welfare and wouldn't go near a welfare office. In county jails across the land, these men disdain all transitional programs designed to give them aid after release while they get back on their feet. Welfare based employment programs, like those envisaged in Carter's reform proposals, will tend to miss all the youths on whom the future of poor communities will finally depend.

Even the anti-fraud efforts, necessary as they are, can have unfortunate results in the context of the welfare culture. The usual way to combat welfare fraud is to compare the welfare rolls — including all listed husbands and fathers — with lists of the holders of jobs, savings accounts, homes and other assets, in order to find any duplications. This approach

can certainly discover some types of fraud. One is the most obvious and reprehensible: the fully employed woman with children who at the same time collects a day care subsidy and a welfare check, or sometimes several, perhaps even on the basis of false representations of the ages and number of her children. This kind of case, though relatively infrequent, always gets lots of publicity and is a great triumph for the welfare investigator. The more usual types of fraud are much more ambiguous. They consist of women on welfare with working husbands. Often these men no longer live with their wives or have anything much to do with them; the wives normally are living with other men. This case of fraud scarcely differs from all the legal welfare cases that also involve absent fathers and new men in the home. The chief difference in the illegal case is that the woman made the mistake of getting married and the man made the error of taking an officially recorded job, buying a house, or acquiring some savings.

The fraud cases, in other words, can often arise among the more honest and ambitious of the welfare recipients: the ones who tell the truth about the whereabouts of their husbands or the fathers of their children, the ones who make an effort to marry or save, or accept regular work — the ones in general who try to leave the welfare culture and thus come into the reach of welfare department computers. The anti-fraud techniques necessarily miss the welfare mothers who live and bear children, of dubious paternity, with a succession of men working from time to time in the cash economy of the street, or who themselves dabble in prostitution, sharing apartments with other welfare mothers while leaving the children with the grandmother upstairs, who is receiving payments for “disability” from a sore back.

Indeed, the ideal client according to the computer is a woman with several illegitimate children of unsure paternity who goes deep into debt and spends all her money as soon as it arrives: a welfare ideal that has proved easy enough to achieve for some hundred thousand young mothers in recent years. The efforts to radically reduce the welfare rolls by cracking down on morally unsatisfactory recipients — “shirkers” and “cheaters” and other miscreants whose crimes can bring crowds indignantly to their feet — normally offers a small yield of real offenders but a large number of marginal cases that would

take thousands of Solomons to sort out fairly.

No one argues that welfare should not be resourcefully policed. The law must be enforced. But endless injustices and anomalies are absolutely unavoidable in any means-tested system. There is no such thing as a good method of artificial income maintenance. The crucial goal should be to restrict the system as much as possible, by making it unattractive and even a bit demeaning. The anomalies and perversities become serious chiefly as the benefits rise to the point that they affect the life choices of millions.

As in all insurance policies, it is the level of benefits that determines the "moral hazards." Fire insurance, for example, becomes an inducement to arson chiefly when a neighborhood declines to the point that the payoff exceeds the value of the housing. Our welfare system creates "moral hazards" because the benefits have risen to a level higher than the ostensible returns of work and marriage.

Under these circumstances most of the cases are fraudulent, in the sense that most of the fathers could presumably marry the mothers of their children and could support them if they had to. But from another point of view, very few cases are fraudulent, since neither the mothers nor their men, in the context and psychology created by the system, could support their children at the levels of "decency" or "adequacy" specified by the U.S. government in its "low income budget." For an ill-educated man from the welfare culture to support a family at that level requires delay of marriage and childbearing until after the development of economic skills, and then the faithful performance of work over a period of years. These requirements are most essentially moral and familial. The attempt to elicit them by legal pressures while deterring them remorselessly by contrary financial incentives is as hopeless a venture as has ever been undertaken by government.

The most serious fraud is committed not by the members of the welfare culture but by the creators of it, who conceal from the poor, both adults and children, the most fundamental realities of their lives: that to live well and escape poverty they will have to keep their families together at all costs and will have to work harder than the classes above them. In order to succeed, the poor need most of all the spur of their poverty.

The battle between the two kinds of welfare "reform,"

liberal and conservative, is largely fake. Neither side is willing to tolerate fraud, both sides advocate largely fraudulent work requirements, and neither side understands the need to permit a gradual lowering of the real worth of benefits — by allowing inflation to lower their money value and by substituting relatively unpalatable in-kind supports. In fact, both sides are willing in principle to index the benefits to the price level, thus making them yet more reliable and attractive, still preferable in every way to the taxable, inflatable, losable, drinkable, druggable and interruptible earnings of a man (not to even consider the female recipient's own potential earnings, which require many hours a month of lost leisure and onerous work). All earnings, moreover, entail the hazards of foregoing Medicaid in sickness, food stamps in the grocery, housing subsidies for the lucky, and public defenders for the unlucky, often needed in the welfare world. The conventional wisdom on welfare has not even begun to acknowledge or come to grips with the implications of this long series of generous and seductive programs.

Any welfare system will eventually extend and perpetuate poverty if its benefits exceed prevailing wages and productivity levels in poor communities. A change in the rules can produce immediate cutbacks, as Reagan proved. But in time welfare families will readjust their lives to qualify for what is their best available economic opportunity. As long as welfare is preferable (as a combination of money, leisure and services) to what can be earned by a male provider, the system will tend to deter work and undermine families. Rigorous enforcement of the rules only means that the families must adjust more and conceal more in order to meet the terms specified by Washington.

The Denver and Seattle experiments give what should be shocking testimony to the existing dangers of AFDC. These tests are ordinarily discussed as if their interest was chiefly academic, bearing on the problems of some now utterly unlikely program of guaranteed incomes. But, in fact, AFDC already offers a guaranteed income to any childraising couple in America which is willing to break up, or to any teenage girl over sixteen who is willing to bear an illegitimate child. In 1979, there were some twenty million families which could substantially improve their economic lot by leaving work and

splitting up. Yet they did not. Three fifths of eligible two-parent families resist all the noxious advertising campaigns even to apply for food stamps, which they can have merely for the asking. Millions of qualified couples continue to jilt the welfare state. Only in the ghetto, among the most visible, concentrated, and identifiable poor, have the insidious seductions of the war on poverty and its well-paid agents fully prevailed over home and family.

What the HEW experiments showed, however, was that many of the yet unreached families are vulnerable to a better marketing effort. They will break down rather readily when fully and clearly informed of the advantages and not effectively threatened with child-support suits. In other words, the test showed that millions of jobs and marriages would be in jeopardy if placed in the midst of a welfare culture where the dole bears little stigma and existing jobs pay amounts close to the welfare level, or pay cash untraceable by official investigators.

The tests suggest that as serious as existing welfare problems may seem, they are dwarfed by the potential crisis in prospect. At present, even among the actual clients of AFDC, only about one fifth have capitulated to the entire syndrome of the welfare culture. Only twenty percent accept the dole as a more or less permanent way of life. That twenty percent, though, take some sixty percent of the money. The rest of the beneficiaries dip into the system during a few years of family crisis and then leave it, often never to return. One danger of benefits indexed to inflation is that they will induce increasing numbers of welfare cases to become welfare cultures, with results resembling Denver and Seattle.

The more profound threat, however, arises from the current demographic situation. There are three principal trends relevant to welfare: One is a fifteen year period of declining birth rates beginning in the mid 1960s; two is the aging of the baby boom generation; and three is the increasing reluctance of the American poor to perform low-wage labor. These trends mean that beginning in the mid-1980s, there will be a long-term decline in the number of workers available to support the increasing numbers of the retired. This development portends a grave crisis for our social security and pension systems. It is doubtful that work effort will persist if pension taxes rise to double and triple the current levels, even if largely disguised in value-added



or other forms of concealed imposts.

The solution to this problem, though, is close at hand, looming beyond the shores of the Rio Grande. The current flood of immigrants, legal and illegal, will be permitted to join the official economy and replace the unborn workers of the baby dearth, who might have paid for the pensions of their elders. It takes no special feat of insight or imagination, or even much scrutiny of Latin American birth rates and economic growth levels, to predict this development. Immigration will persist. The current Hispanic minority, which now numbers some twelve million — about half the black population — will equal it within a decade or so. Whether the Hispanic minority will follow the footsteps of blacks into the welfare culture should be a paramount concern of American domestic policy.

As the seventies drew to a close the portents were dire. Hispanic families, once more stable than black families, retained a small advantage in proportions still intact, but they were breaking down at about twice the black pace. Legalized aliens were moving onto welfare in distressing numbers. Hispanics were increasingly adopting a posture of confrontation with the government, seeking aids and subsidies and “minority status,” and were discernably slowing their movement into business and low-wage jobs.

Even more disturbing was the response of the U.S. government. Rather than learning the clear lessons of the American experience with Indians and blacks — the previous minorities reduced to a state of bitter dependency by government — the Washington bureaucracies were rushing to accommodate the new immigrants within the old formulas of “discrimination” and “poverty.” Far worse, as Tom Bethell described in a devastating Harper’s article, HEW adopted, in defiance of the entire glorious history of previous immigrants in America, an utterly indefensible program of bilingual education, which in practice means education in Spanish. At the same time, HEW is issuing requirements that all public documents and forms be translated for Hispanics. These actions simultaneously undermine the group’s entry into American life and culture, segregate it in presumably separate but equal classrooms, often run, according to many reports, by anti-American teachers, and open the group chiefly to two influences: Spanish-speaking politicians with an interest in segregation, and Spanish translations of bureaucratic

social programs.

These approaches together constitute for Hispanic women a gilded path into the arms of the welfare state, and for Hispanic leaders, a glittering invitation to a politics of sedition and violence — to a prolonged posture of protest, with a segregated and subsidized captive audience, against the country that seduced their women and left their men without a role.

This is the danger that the welfare culture poses in coming years. It is a danger, however, that can be easily avoided. The necessary steps are clear. Welfare benefits must be allowed steadily to decline in value and attractiveness as inflation proceeds. The Medicaid program, which alone provides a more than adequate reason to stay in poverty, must be amended to require modest payments in all but catastrophic cases, and to apply to the lower middle class. Rents must be paid directly to landlords, who are easier to supervise than hundreds of thousands of welfare clients, most of whom pay their rents only sporadically.

Under the present system, recipients treat their rooms as disposable items, so much residential packaging for their lives of dependency. Moving from apartment to apartment as landlords finally decide to evict them — leaving their quarters in a shambles — the members of the welfare culture tend to consume more housing, in terms of its financial value and depreciation, than the middle class does. This process is as demoralizing for the clients as for the landlords and for the government officials who condone it. It leaves vast stretches of many cities in a state of physical and social ruin. It can be mitigated at least by paying the money to landlords (a procedure used widely until a federal court vetoed it) or by issuing some kind of rental stamps that are difficult to convert into cash.

A solution to the welfare problem is possible if the essentials are understood. The preoccupation with the statistics of income distribution has led to a vision of poverty as the steady state of an inert class of citizens. Social policy is conceived as acting on these persons, but they are not believed to act on it — to exploit it in their own interests. For most people, however, poverty is a passing phase, caused by some crisis in their lives. The goal of welfare should be to help people out of these dire but temporary problems, not to treat temporary problems as if they were permanent ones — and thus make them so. This goal dictates a system nearly the opposite of the current one.

The current system, like Harvard in a popular epigram, is very difficult to get into but relatively easy to stay in. It is of comparatively little help to people in emergencies. Applicants normally have to wait weeks, fill out forms by the ream, submit to prolonged tests and evaluations, before they are finally admitted to the promised land. As a rule, the more generous the grants, the narrower the gates. The more commodious the benefits for the qualified recipients, the harder is the regimen for the unpremeditated poor: the woman newly arrived from afar, the man who lost his job or his wife, or suffered a medical catastrophe but did not choose to sell his home. New York State's welfare program, for example, is third in the country in the real value of its benefits but according to one study, it ranks fiftieth in ease of entry. California is not much ahead. Both programs create maximum incentives to qualify for them: maximum rewards for maximum familial strife and disruption. A sensible program would be relatively easy on applicants in emergencies, but hard on clients who overstay their welcome.

Ideally such a system should be supplemented with child allowances given to every family of whatever income for each child. These payments, which would be taxable, are designed to relieve the pressure on large families to become female-headed, because welfare is the only income source that automatically increases as the family grows. Allowances also reduce the pressure for constant inflationary increases in the minimum wage rate, by counteracting the idea that every wage by itself must support a family. If Moynihan's career in welfare reform yields any clear lesson, it is that professors in politics should advocate their favored programs rather than invent compromises supposedly more acceptable to the public. Moynihan's preferred policy was always child allowances, but he urged a guaranteed income scheme instead because he thought it would be more appealing politically to the Nixon Administration. The result was a lost decade of initiatives of little political appeal or objective validity.

Child allowances are currently in effect in most Western industrial nations, but the system has been most fully developed in France. There they were enacted as a program to promote large families. The evidence is that it failed in that goal but succeeded in strengthening all families and in permitting France to avoid the blight of dependency that afflicts the United

States. Child allowances succeed because they are not means-tested. Because they do not create an incentive to stay poor, they avoid the moral hazards of the war on poverty, while giving support to the most welfare-prone families. There is no panacea. Overcoming poverty still inexorably depends on work. But in a world where children are little permitted to earn money for the family, payments to those families that nurture and support the next generation represent a social policy with its heart in the right place.

Such approaches to welfare will win their advocates no plaudits from welfare rights organizations and few perhaps from politicians who enjoy the power of granting excessive benefits to some and cracking down on others. But a disciplined combination of emergency aid, austere in-kind benefits, and child allowances — all at levels well below the returns of hard work — offers some promise of relieving poverty without creating a welfare culture that perpetuates it. That is the best that any welfare system can be expected to achieve.

Welfare now erodes work and family and this keeps poor people poor. Accompanying welfare is an ideology — sustaining a whole system of federal and state bureaucracy — that operates also to destroy their faith. The ideology takes the form of false theories of discrimination, spurious claims of “racism” and “sexism” as dominant forces in the lives of the poor. The bureaucracies, devoted to “equal opportunity” and “affirmative action,” combine with welfare in a pernicious campaign, subverting the morale and character of the poor — most especially the poor who happen to be black. But the chief financial influence on every poor community, exerting continuous and erosive pressure on every lower middle class home, is welfare. Welfare reform remains crucial in any program to combat poverty. But from the viewpoint of the poor, successful reform must make welfare worse, not better. The welfare problem is that it is already much too “good.”

# Will West Germany Stay in Step?

ROBERT STRAUSZ-HUPÉ

The victors of World War II divided Germany into three parts: West Germany — now the Federal Republic of Germany; Middle Germany — now the German Democratic Republic; and East Germany — now partitioned between the Soviet Union and Poland. Berlin, Germany's capital from 1870 to 1945 and now imbedded in the territory of the German Democratic Republic, is divided in two parts: one under the effective control of the United States, the United Kingdom and France; the other under the effective control of the Soviet Union. The German Democratic Republic (DDR) has quartered its government in that part of Berlin that is controlled by the Soviet Union. The government of the Federal Republic of Germany is seated in Bonn, a Rhineland town, once the see of a reigning bishop, subsequently renowned for its University. East Prussia has been incorporated into the U.S.S.R.; most of West Prussia and all of Silesia have been ceded to Poland. Their German-speaking inhabitants have been forced to depart, their places to be taken by Polish immigrants, most of them exiled from that part of Eastern Poland that has been annexed by the U.S.S.R.

At the time of the division of Germany, the territories thus separated from one another had been under German rule for from 200 to 1000 years. Several million German-speaking inhabitants of the territories now incorporated into the DDR, Poland and the U.S.S.R., have immigrated to the German Federal Republic and acquired the latter's citizenship. This, roughly, is the geographical shape, ethnic substance and the international status of residual divided Germany and the remainder of the Reich ceded to the U.S.S.R. and Poland.

Germany is a divided country. This division also divides public opinion in West Germany. Although most West Germans and their major political parties ostensibly profess to put unification ahead of any other political concern, not all West Germans agree on the means for achieving it. Some may still believe that the strength of the Western Alliance will ultimately persuade the Soviet Union to relinquish control of the DDR