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The Poor, Poor Welfare State

By Walter Williams

In the Shadow of the Poorhouse: A Social History of Welfare in America
By Michael B. Katz, New York: Basic Books, 352 pages, \$22.95

Michael Katz's *In the Shadow of the Poorhouse* itself is in a shadow of sorts—it appears not to have seen the light of new research and questions about the efficacy of government antipoverty programs raised by scholars like Charles Murray in *Losing Ground* and Thomas Sowell in his many publications, such as *Ethnic America*, *Civil Rights*, and *A Conflict of Visions*. Katz never comes to grips with a core question about compassionate help: If we try to help people, what is the effect on their own incentives to help themselves? Leaving that question unasked and unanswered goes a long way toward explaining what we have now: dependent people who are immune to the only effective antipoverty medicine—economic growth.

The most redeeming feature of Katz's book is its historical description of early American responses to poverty. Through an interesting discussion of 18th- and 19th-century poorhouses and old-age homes and the emergence of public relief, Katz gives us an account of how we arrived at what he calls the semi-welfare state. Had he stuck to history, his book would have been a valuable addition to our library shelves as a handy reference.

Unfortunately, he goes beyond description to faulty analysis. His basic theme is that if Americans would move more diligently toward a complete welfare state we could solve our poverty problem. But that argument appears mostly in the book's later chapters; so let us focus on his earlier gems.

We see how Katz views the world through his list of some of the causes of poverty. He says the 5 million immigrants who came to America between 1820 and



1860 "intensified the problems of poverty." Yet we all know immigrants did not come to America to be poor. Upon setting foot on American soil, they instantaneously became richer, in the economists' present-value sense, than had they stayed at home, for their potential future earnings rose dramatically. Of course, for a while they were a bit poorer than their new neighbors.

In a section entitled "From Poorhouse to Flophouse," Katz recalls the "wretched" conditions in which men lived in close quarters that did not smell very nice. Today, flophouses have fallen victim to local regulations and the federal bulldozer—with the result that vagrants and derelicts have nowhere to sleep and city officials frantically search them out on bitter cold nights to prevent death from freezing. So we might

ask who benefited from the elimination of flophouses—vagrants or the middle-class elite whose sensibilities were offended?

In the middle chapters, Katz covers American and British settlement houses, vagrancy laws, and the emerging labor movement. The historical references seem accurate, but his commentaries on the labor movement leave something to be desired. He mentions "state-sanctioned" violence when companies used the Pinkertons or got the help of troopers to put down strikes but does not mention union violence, including murder, when companies sought the use of other workers to replace their striking employees.

"War on Poverty to War on Welfare," the last section of Katz's book, helps us understand his vision of the world. He expresses sympathy with the '60s attack on tough eligibility requirements for Aid to Families with Dependent Children (welfare was denied those not providing a "suitable home"). He belittles "pervasive fears" about the impact of welfare on morality, fraud, and the labor supply—fears that were partly responsible for such tough eligibility requirements—by quoting a man of suspicious character like Arkansas's Gov. Orval Faubus. "By taxing the good people to pay for these programs, we are putting a premium on illegitimacy never before known in the world," opined Faubus.

All I ever knew about Faubus was his obstinance over school desegregation in Little Rock and President Eisenhower's use of troops. His inept handling of this episode did not engender much respect. However, since Katz brought this quote to my attention, Faubus has moved up a notch in my eyes. Faubus *qua* economist was hypothesizing that if you subsidize something you just might get more of it. In fact, civil rights organizations got their way and reduced welfare eligibility requirements. In turn, illegitimate births among blacks have escalated so much that they are the highest in all the developed countries. Faubus had a point.

Like other social reformers, Katz is fully aware of the visible beneficiaries of public policy but blind to its "invisible" victims.

GWYN STRAMLER

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He sees the expansion of federal programs like social security and unemployment compensation as a good thing. Unfortunately, Santa Claus does not foot the bill for these goodies. They are financed through higher payroll taxes. That means workers are more costly to employers. Employers respond by substituting capital for labor or higher-skilled workers for low-skilled. Both responses to higher labor costs discriminate most heavily against the low-skilled worker for whom Katz's heart bleeds.

Katz sees another part of the poverty problem as resulting from older industries deserting older American cities for the sunbelt or the Third World, the exodus of middle-class people to the suburbs, poor schools, and high minority unemployment. Yes, these factors explain some of the problem, but they are not acts of God. One is reminded of Caius Gracchus who, in 58 B.C., decreed that every Roman citizen should have free wheat. After a while, the misguided chap saw farmers leaving the countryside to live in Rome without working.

Emperors of New York, Newark, and Detroit have not benefited from Gracchus's experience. With federal assistance, they have laid out a welcome mat for people to come to their cities without working. This hospitality is financed by high taxes on the productive, who eventually flee, as Katz observes, to the suburbs and sunbelt. In addition to destructive public policies such as easy welfare, high minimum wages, occupational licensure, lenience toward criminals, and fraudulent education, cities like New York throw in rent control for good measure. As has been noted, short of aerial saturation bombing, rent control might be one of the most effective means of destroying a city.

A book like Katz's would not be complete without a bit of Reagan-bashing, which is introduced in a section entitled "The War on Welfare." There is the usual fabrication about Reagan cuts in social spending. As is well known among those who wish that Reagan *had* managed to effect such cuts, their existence is a myth. Reagan's 1984 campaign even featured boasts of how his administration increased social spending.

To Reagan's call for voluntarism to help the needy, Katz scornfully replies that "voluntarism never was and never will be able to meet the needs of poor and dependent Americans." But from the evi-

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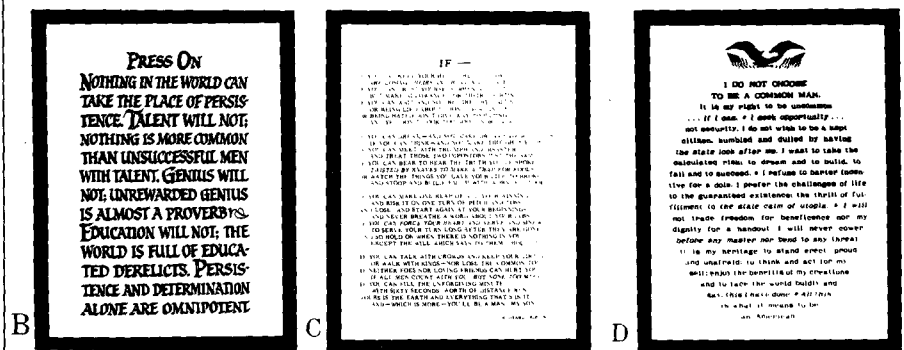
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dence compiled since Johnson initiated his War on Poverty programs, it is clear that massive government expenditures on poverty eliminate neither poverty nor dependence. More importantly, we have to ask Katz how the progeny of all those poor Italians, Irish, Jews, and Japanese who graced our shores in the 1800s managed to melt into the mainstream of American life without foodstamps, AFDC, CETA, Upward Bound, Headstart, and so on. And why do the poor (blacks, Hispanics, and American Indians) who have been blessed by these programs appear to be desperately locked into poverty and dependence?

In addition to Reagan-bashing, Katz lays a gratuitous insult on blacks. Predicted city riots in the wake of Reagan-era social spending "cuts" have not materialized, he explains, because of "heightened sophistication of the apparatus of repression. Cities have invested heavily in modern riot control technology; they will not be caught unprepared again." It never dawns on Katz that *maybe* blacks have learned it is not a good idea to put the torch to their own neighborhoods just because they are mad at whites.

Like many other social reformers, Katz fails to appreciate that poverty is no mystery. Poverty is man's standard fate throughout most of the globe and throughout his entire history. The true mystery is how it is that a tiny fraction of this planet's population (mostly in the West), for a tinier fraction of history, escape the fate of their fellow men.

For the most part, people or nations are poor because they cannot produce very much. But analysis like Katz's suggests people are poor because they are not paid very much. The logical conclusion of this kind of thinking leads to an emphasis on income redistribution rather than efforts towards increased productivity. Sadly, there is little evidence of people, or nations, becoming wealthy through income redistribution. We do a major disservice to the poor to teach them that society owes them something instead of teaching that wealth comes from serving one's fellow man—through productivity.

Contributing Editor Walter Williams is a professor of economics at George Mason University and the author of *The State Against Blacks*.

Is God a Closet Capitalist?

By Paul Heyne

Will It Liberate? Questions About Liberation Theology

By Michael Novak, Mahwah, N.J.: Paulist Press, 311 pages, \$14.95

Poverty and Wealth: The Christian Debate over Capitalism

By Ronald H. Nash, Westchester, Ill.: Crossway Books, 223 pages, \$8.95

Why do so many Christian thinkers condemn capitalism? And are their criticisms justified? Those questions have been around for a long time. Marx and Engels commented on them in *The Communist Manifesto*, concluding that "Christian Socialism is but the holy water with which the priest consecrates the heart-burnings of the aristocrat." The discussion has waxed and waned since 1848 and seems currently to be well advanced into a waxing phase. While each new phase inevitably resurrects a fair number of tired arguments that were long ago resolved to the satisfaction of everyone who was paying attention, the controversy has never settled down into a completely predictable pattern of claims and counterclaims.

In large part this is due to the continu-

ing evolution of both capitalism and Christianity. Whatever "capitalism" meant to Marx, it would have to be described very differently today. So would Christianity. Whether it is old truths that are being recovered or new errors that are being invented, there can be no doubt that the actual teachings and practices of professed Christians have undergone significant changes since "capitalism" first caught the attention of moral theologians.

One of these new developments is "liberation theology," the subject of Michael Novak's latest book, *Will It Liberate?* Novak spends very little time on the explicitly theological considerations that generated liberation theology in Latin America about 20 years ago, because he believes the issues in contention are almost entirely in