

probably figure out a way to give it an entrepreneurial spin. Indeed, they praise regulation as "a third way[!], an alternative to both the liberal call for administrative programs and the conservative call for government to stay out of the marketplace."

They use regulations as a response to "market failures," such as the private sector's allegedly inadequate provision of child care, health care, and environmental protection. When the market fails, they argue, government must "restructure the marketplace." "Zoning laws," they gush, "set the rules for real estate development. Securities laws set the rules for the stock markets. Even something as simple as the market for taxicabs is regulated by public laws. Governments constantly change the rules of the marketplace to solve problems."

But these "solutions" entail costs of their own. Government regulations prohibit many informal, inexpensive forms of child care and health care. Zoning laws often prevent the construction of apartments and other low-income housing. Securities laws can create victimless "insider-trading" crimes. Taxicab regulations often keep jitneys or other entry-level transit providers out of the market.

Some types of "restructuring" can help markets work more efficiently; others can't. Consider three environmental regulations the authors praise. Per-can garbage-collection fees encourage residents to seek cost-effective recycling. Mandatory recycling programs often kill local recycling markets; the areas then get stuck with "recyclables" that would be cheaper to landfill. And mandates to reduce packaging (as with aseptic juice boxes) often lead people to buy products that, on balance, waste energy. The last two regulations don't make economic or environmental sense; yet all three gain Osborne and Gaebler's enthusiastic support.

Even civil liberties tumble before the authors' regulatory zeal. "Think of all the things Americans would like to discourage," they write, "but cannot bring themselves to ban: pornography, junk food, violence on television. A stiff tax might do the trick."

The government's record in repairing "imperfect" markets is far from perfect. After all, the savings-and-loan crisis resulted from a market restructuring. Congress simultaneously boosted limits on taxpayer-backed deposit insurance and let thrifts offer higher interest rates on those guaranteed accounts. Legislators later prevented those same thrifts from holding the high-yield investments that could have helped them recover their losses.

Similarly, the Federal Housing Administration lends lots of money to people too risky to qualify for private mortgages; it faces a multibillion-dollar bailout. Government student-loan programs face huge defaults. And, barring rapid privatization, the Social Security Administration, which restructured the nation's pension markets, threatens to beggar both wage earners and retirees within a few decades.

**T**he authors want to do more than reinvent government. They want to redefine and rejuvenate progressivism.

They spend some time reflecting on the turn of the century, when that era's Progressives replaced political-patronage machines with career civil servants. Osborne and Gaebler wish to encourage a new type of progressivism, led by entrepreneurial managers instead of rule-bound bureaucrats. They envision these new progressives, no doubt armed with city and regional planning degrees, enacting five-year regional economic-

development plans, growth controls, and mandatory recycling programs.

The authors obviously want to make grassroots democracy meaningful and fun again. But there's more to life than attending city-council meetings. And local governments in our more progressive communities (such as college towns) are among the most tyrannical on the planet.

Osborne and Gaebler have spent so much time collecting information on creative government strategies here at home that they have completely ignored the collapse of central planning worldwide. While the authors have valuable insights, they aren't really visionaries.

Entrepreneurial strategies, the authors conclude, "can be used to implement any agenda. They can help a community or nation wage war on poverty, if that is its priority, or lower taxes and cut spending, if that is its priority. *Reinventing Government* addresses *how* governments work, not *what* they do."

When the authors focus on the mechanisms that can help policy makers streamline agencies and improve services, *Reinventing Government* shines. David Osborne and Ted Gaebler could effectively help any state or county that is out of money and needs to deliver government services on the cheap. But once your tax revenues start flowing again, you'd better get rid of these guys—fast.

*Rick Henderson is Washington editor of REASON.*

## Working for a Living

BY JOHN McCLAUGHRY

**The Politics of Poverty: The Nonworking Poor in America, by Lawrence Mead**  
New York: Basic Books, 261 pages, \$25.00

**T**he central thesis of political scientist Lawrence Mead's new volume on welfare, his second on the subject, is simple, straightforward, and profoundly disturbing: The era of redistributionist progressivism in welfare policy is finished, and it must and will be succeeded not by a new libertarianism, but by a new emphasis on citizen obligation and government author-

ity. Mead finds the cause of this change in the politics of permanent dependency, of a demoralized underclass whose members have neither the skill nor the will to respond to progressive or libertarian opportunities.

"Up through the mid-1960s," writes Mead, "the leading question was how to help ordinary Americans obtain advance-

ment....The underlying dispute was over economic class—whether to accept the unequal rewards meted out by the marketplace or to try to equalize them by raising wages and giving public benefits to workers and their families. In the new era, which is characterized by what I call dependency politics, the leading issue is how to respond to the disorders of the inner city.”

Prior to the mid-1960s, welfare reformers viewed the able-bodied non-elderly poor as economically competent but temporarily out of luck. The archetypes were the displaced worker and the sudden widow. The progressive policy inherited from the New Deal required government to provide a safety net for such people until they could return to work and to tamper with the labor market so that they could earn more money. Hence the make-work programs of the New Deal, minimum wage, unemployment insurance, job training, and collective-bargaining laws. All these measures presumed that today’s poor could and would ascend by taking advantage of the government-supplied opportunities to become tomorrow’s stable middle class.

But in the 1960s it became apparent that a rising percentage of those eligible for welfare were, for one reason or another, simply not equipped to pull themselves up the ladder extended to them by a caring government. By the 1970s, the leading progressive solution was to simply identify “the poor” and give them money. Curiously, this “solution” was popular both with liberals, who saw it as a way of indemnifying the victims of exploitative capitalism, and with soft-core libertarians (notably Milton Friedman), who favored it because it would allow the abolition of the costly web of programs created to assist the poor to work their way out of poverty.

Progressive government, Mead argues, increasingly failed to spur social and economic advancement for those at the bottom of the pile. “That disappointment, like no other, hit progressive government at its heart.” The chief dilemma in dependency politics today is that fostering competence in incompetent individuals is immensely more difficult than expanding opportunity for com-

petent citizens. In short, a rising tide now seems to lift only some boats; many are permanently swamped.

Poverty among the able-bodied, non-elderly poor is a direct result of the poor not working. Mead examines four theories that attempt to explain why the poor



**Mead's plans for welfare reform are seen by some as calls for involuntary servitude.**

do not work. The first is that it simply isn’t worth it for them to work for entry-level wages. The obvious response is that most workers do not stay at entry level forever, but work their way up and, in any case, can make a go of it by working long hours.

A second theory, the most popular, is that the poor normally can’t find work. If that were true, the boom years of 1983-89 ought to have pushed welfare dependency to rock-bottom levels. But the welfare rolls remained alarmingly high. Even in overheated local economies, the welfare population seemed scarcely to budge, and in some cases even increased. Meanwhile, immigrants, legal and illegal, filled many jobs.

A third argument, to which Mead gives only minimal weight, is that external barriers such as racial discrimination, welfare disincentives, and lack of child care and transportation keep the poor from working. This is a favorite argument of the left. It has, Mead notes, a terrible consequence: the inescapable notion that poor people have no responsibility for their plight. If nothing one does can possibly produce success, why do anything? This argument reduces the poor

to “disassembled personalities,” less than people, and feeds the social pathology of the victim class.

The fourth theory holds that the principal barriers to work are internal, rooted in the psychology of the nonworker. The nonworkers simply will not voluntarily accept work, at least not at wage rates prevailing in welfare communities, and do not believe work will get them anywhere.

“To a great extent,” Mead observes, “nonwork occurs simply because work is not enforced. Overall I think conservatives have the better of the barriers debate—the chance to get ahead is widely available. But liberals have the more realistic view of the psychology of poverty—the poor do not *believe* they have opportunity, and this still keeps them from working.” (Emphasis in original.)

The root of the new problem of chronic dependency, Mead concludes, is that the poor, particularly the minority poor, are psychologically defeated, “psychically inhibited,” passive, resentful, and convinced that they are powerless to improve their own well-being. (That they should be so is not surprising; 25 years of unrelieved liberal demagoguery has had a telling effect.) Mead believes that the problem of the dependency culture cannot be solved by any known “welfare reform,” even with “work incentives” and “work preparation.” The competence assumption has broken down for millions of Americans, and creating economic opportunity is not likely to make much improvement in their condition.

The chronic poor are no longer psychologically equipped to work for self-advancement. Thus, if they are to work, they must be made to work, or be driven outside the pale of government largess. Mead finds this requirement of work not only productive of higher work levels and higher incomes but a desirable end in itself. It supplies desperately needed discipline and ends the evasion and defeatism that hold the poor in thrall. Indeed, he argues, with some evidence, that the poor will prove to be grateful for being made to work. If the problem of dependency politics is to be solved, governments will have to abandon opportunity strategies and entitlement strate-

gies and adopt a strategy of authority and paternalism to deal with this intractable underclass.

This conclusion invites strong controversy. Authoritarian conservatives naturally like it, as do lots of working people furious at their freeloading welfare neighbors. But some libertarians see mandatory-work requirements as involuntary servitude. William Niskanen, chairman of the Cato Institute, has described Mead's policy as "abhorrent." The left, still wedded to ever-higher entitlements and large numbers of (preferably unionized) welfare bureaucrats ministering to the needs of the poor, view it as the final outrageous chapter in the oppression of the innocent downtrodden.

If one assumes, at least for purposes of argument, that "the government" ought to mandate work (responsibility) in return for welfare sustenance, it is relevant to inquire just how this is to be enforced. Mead thoroughly and brilliantly analyzes our descent into dependency politics and makes a strong case for the necessity of authority. Unfortunately, he does not describe the preferred mechanism for making welfare recipients work.

Is the present federal-state-local government welfare bureaucracy to be made into work police? At what will welfare recipients work? Public-sector jobs? Nonprofit-sector jobs? Private-sector jobs? Who pays the paychecks, the welfare bureaucracy or the employer? Who defines eligibility? When does it end?

A massive government work-enforcing welfare bureaucracy could well become a functional *gulag* for the poor, fully meriting Niskanen's term *abhorrent*. On the other hand, requiring people to work through programs managed by community-based organizations that provide social reinforcement and opportunity, and with which the poor feel some kinship and solidarity (as with the Mormon church's welfare system), is a much less disturbing prospect.

President Reagan's White House Interagency Low Income Opportunity Advisory Board advocated this devolution strategy with great ability. Instead of promoting systemic welfare reform, the

board conceived a different strategy. If states and local communities could devise grassroots, community-based programs to overcome the self-defeating perceptions of the poor as well as offer them education, training, support services, and motivation, the board proposed using federal welfare funds to support those programs with few strings attached.

In 1987 and 1988 the board became an advocate for program waivers for states and cities willing to move in this direction. Under pressure from the board, federal agency officials grudgingly allowed some very interesting local experimentation. Unfortunately, the sharply expanded devolution approach built into the White House welfare-reform proposal of 1987 shrank almost to nothing in the Family Support Act of 1988. Instead, the act placed a strong emphasis on work requirements enforced through the existing welfare system.

It is regrettable that Mead stopped short of exploring alternative methods for

putting a mandatory-work requirement into practice. As he leaves the issue, the idea of mandatory work is likely to be debated only in terms of a giant work-enforcing government bureaucracy. Facing that specter, many politicians are going to shy away from the unavoidable question: how to resurrect a chronically demoralized welfare-victim class.

But it is perhaps unfair to ask too much of Mead. He has brilliantly illuminated the undisputed collapse of the "progressive" model for repairing poverty and the emergence of the new politics of dependency. And he has argued with clarity and force for a resurrection for public authority, not to punish the poor for their poverty but to lift them up from it. Even those who view mandatory work in return for benefits as a form of involuntary servitude cannot evade Mead's powerful arguments against the alternatives.

*John McClaughry, a Vermont state senator, is at work on a book about welfare reform.*

## Bringing Up the Middle

BY JACOB SULLUM

**Against Excess: Drug Policy for Results**, by Mark A.R. Kleiman  
New York: Basic Books, 474 pages, \$26.00

Suppose that every time you bought a bottle of wine or a six-pack of beer you had to present a drinking license to verify that you could legally consume alcohol. Suppose you then had to wait while the store's clerk checked with a national data base to make sure that you had not already filled your monthly quota of intoxicating beverages. You would probably consider this a serious imposition and wonder how the government had become so intrusive.

Suppose instead that you were confronted with exactly the same system, but for marijuana rather than alcohol. You would probably consider it a surprisingly loose arrangement and wonder how the government had become so permissive.

Those two scenarios, both of which Mark Kleiman proposes in *Against*

*Excess: Drug Policy for Results*, capture the mixed response his book is likely to elicit from opponents of prohibition. On the one hand, Kleiman, an associate professor of public policy at Harvard's John F. Kennedy School of Government, is remarkably fair-minded in his analysis of current policy. He recognizes, for example, that the government's treatment of marijuana is difficult to justify, and he recommends legalization (albeit with licensing and quotas).

On the other hand, Kleiman explicitly defends the proposition that one of government's tasks is to protect individuals from themselves. He wants the state to continue regulating what people put into their bodies, but in a more consistent way, with a better understanding of costs and benefits. Hence the drinking license.

"Eventually we must learn to discuss