THE NEW REPUBLIC

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SIGN IT

In September, 1983, on the twentieth anniversary of the Reverend Martin Luther King Jr.'s March on Washington, the editors of this magazine suggested that the continued social and economic progress of black Americans required acknowledging the existence of

> generation upon generation of excluded, hopeless, chronically dependent people.... There is an epidemic—the metaphor of pathology is not inappropriate, for what is involved is the health of the black community—of single-parent families, unmarried mothers, deserting fathers.... Forty-one percent of black families are headed by women, without husbands present, up almost a third in the last decade.... The percentage of black children living in one-parent homes rose from 32 percent to 49 percent in the same period.... This is a demographic disaster, nothing less.

That 1983 editorial was moderately heretical, a leading indicator of the general mid-'80s reawakening of Americans to the problems of the largely black, largely urban "underclass." Now, some thirteen years later, concern about the underclass is a political cliché. Yet what has been done? Today, the percentage of black children living in single-parent homes is not 49 percent. It is 69 percent. In 1990, one out of every four young African American men was in prison, in jail, on probation or on parole. Today, the figure is one in three.

This is the context in which President Clinton must decide whether to sign the radical welfare reform measure being sent to him by Congress. Why, after all, do we care about welfare? Not for fiscal reasons; Aid to Families with Dependent Children (AFDC), the main welfare program, consumes only about 1 percent of the federal budget. We care because welfare is implicated in America's gravest social problem, the existence of isolated, depressed neighborhoods, the vast majority either black or Hispanic, where intact families and working fathers are practically nonexistent. You can argue about welfare's role in creating this underclass, but there is little doubt that welfare *sustains* it.

Change the welfare system, and the underclass will change, too. This has been the great hope of radical welfare reformers, left and right. It was also the hope of Bill Clinton during the 1992 campaign, when he pledged not simply to "end welfare as we know it," but to use welfare reform to "break the culture of poverty and dependence" in the nation's ghettos. Clinton's welfare proposal, belatedly unveiled in 1994, would have required work, even of single mothers, after two or three years on the dole. If private-sector work was unavailable, community service jobs (and child care) would have been provided.

We supported Clinton's plan and hoped he would pass it before pursuing his ambitious health care reform. He didn't. We wish it were the bill he is now being asked to sign. It isn't. Instead, a Republican Congress is sending him a bill that replaces AFDC with "block grants" for states to spend on aid programs of their own devising. Readers of responsible editorial pages know by now that this block grant approach is "dead wrong" (*The Washington Post*), even "an obscene act of social regression" (Senator Daniel Patrick Moynihan, quoted approvingly by *The New York Times*). Several of our own contributors this week agree (see "Welfare: Where Do We Go from Here?" page 19).

So why should Clinton sign it? Not because all the liberal complaints are unjustified. The bill is, as of this writing, a nasty piece of work in many respects—made nastier by the cynical desire of some Republicans to bait Clinton into a politically damaging veto. But it has one virtue that overrides its flaws: it will, finally, start the process by which America's underclass problem can be solved.

AFDC, the press has noted with some drama, dates from 1935—although Franklin Delano Roosevelt could hardly have imagined that the tiny cash aid program hidden in the New Deal's massive structure would one day sustain more than 4 million single mothers, half of them never married. AFDC is an "entitlement." Congress guarantees that if a poor single mother shows up in State X, the federal government will send State X extra money to pay for the aid (be it welfare or workfare) that mother requires.

Entitlements have their virtues. Unlike a fixed-sum block grant, an entitlement program continuously redistributes money to those states with the greatest need. It automatically spends more money during recessions, helping stabilize the national economy. States are encouraged to set generous benefit levels because the federal government shares any extra cost—blunting the tendency of states to compete at being inhospitable to the poor (the so-called "race to the bottom").

It's also true that most of the current conservative boasts about block grants are far from convincing. We do not believe, for example, that state governments are so efficient that vast administrative savings will be realized if only Washington butts out of the antipoverty business. Nor are states so different that no "one-size-fits-all" national welfare plan can do the job. ("Wisconsin is not like Delaware," one governor told Congress.) The forces responsible for creating the underclass—racial segregation, the migration of jobs and the middle class to the suburbs—are pretty much the same nationwide. Wisconsin's ghettos *are* like Delaware's ghettos. In designing a program to employ and assimilate the underclass, there is every reason to expect that one size will, in fact, fit all.

We just don't know what size that is. And there is the single compelling justification for block grants: they allow the sort of radical state experimentation that will, within a few years, tell us what works and what doesn't. In a block grant regime, some states will try replacing welfare with public service jobs, child care and health care, as Wisconsin plans to do. Some will try more of the "human capital" training schemes that Moynihan bet on in his 1988 reform (and that so far have failed). Some will allow recipients a couple of years of cash before work is required. Some will try the Contract with America's "cold turkey" time limit on any sort of aid. It's unlikely, but a state might even end cash aid altogether and spend its block grant dollars on, say, a massive campaign to counsel poor teens against unwed motherhood.

We suspect that something like Wisconsin's costly approach of replacing cash welfare with last resort public jobs will prove the winning formula. But nobody knows for sure because it hasn't been tried. We don't know if a public jobs program will inevitably degenerate into makework. We don't know what portion of the welfare caseload (a tenth? a third?) just can't hack working, even in a public job. We don't know if, as hoped, tough work requirements for single mothers will really cause young women to delay pregnancy until marriage.

And what of the harsher "cold turkey" time limit schemes? Moynihan has predicted "3.5 million children on the streets," largely because the bill contains what appears to be a five-year time limit on assistance. But this cutoff, heavily featured in press coverage, is phony. It bans states only from using federal money to pay for benefits beyond five years. States could use their own money for the benefits and spend the federal dollars somewhere else—an accounting shuffle. (A big flaw in the much-cited administration study predicting a rise in child poverty is its unwarranted assumption that states will actually cut off poor families after five years.)

In all likelihood, even conservative governors will prove relatively cautious when it comes to cutoffs, since voters will not reward politicians whose polices result in women and children living on the streets. The Clinton administration has also won concessions requiring states to keep spending their own money on the poor ("maintenance of effort") and providing a $2 billion "contingency fund" for use during recessions.

Do the bills contain enough money to replace cash welfare with work? Probably not—though again, no one really knows. It costs more to provide a single mother with a job, supervision and child care than to send her a check. On the other hand, the mere threat of work may cause people to leave the rolls for private jobs, freeing up some of the necessary money. What is clear is that the bill (as of this writing) contains at least $2 billion more for work programs than current law. David Ellwood of Harvard, Clinton's former top welfare expert, estimates that there will be enough money to finance real, work-oriented reforms in those states that now spend a lot of their own money on welfare, but not enough in low-spending states. Assuming he's right, many states—New York, California and Michigan among them—will have enough money to give work a chance. If it becomes clear that successful reform requires more cash, low-spending states will begin to demand federal help. Given the current political and budget climate, that is the most realistic strategy for eventually getting adequate funding for work-based reform.

Opponents of the bill claim that states can conduct all the experiments they need under waivers from the Department of Health and Human Services. And it's true that Clinton has given states unprecedented freedom. It's also true that most state governors haven't undertaken even those work-oriented reforms that HHS would clearly permit. But that's the point. In the current regime, governors can make a fuss about minor state-initiated improvements in AFDC while blaming the feds for the larger failure to end the misery of the ghettos. A block grant regime forces each governor, and each state legislature, to take full responsibility for designing a welfare system—and for its impact on the underclass. If the block grant bill fails, on the other hand, there's no guarantee HHS won't stop granting waivers at some point in the future.

Democrats blew their chance at reforming welfare in 1994. Now it's the Republicans' bill or nothing. Putting off the issue until the next Congress means new complications and probably years of delay. If Clinton is reelected, he will feel less political pressure for reform. Republicans may abandon their fragile block grant consensus and wander off to join Senator Dan Coats's give-the-money-to-private-charity faction. We've postponed radical welfare reform before, and the result has always been that reform never happens.

Clinton should continue to negotiate to correct the worst flaws in the current bill—the excessive cuts in benefits to legal immigrants, the threat (blunted in the Senate version, at least) to the antipoverty floor provided by the Food Stamp program. But ultimately he has to decide. Does he agree to a block grant structure that may cause some hardship, but is likely to point the way to ending the "culture of poverty"? Or does he continue with today's incremental reforms, most of which, even Moynihan concedes, are "not wildly successful"? This isn't an easy decision, but we don't think it is, in the end, a close one. The continuing agony of the underclass is destroying our cities, our race relations, our sense of civility, our faith in the possibilities of government. It's worth taking some risks to end it. •

Welfare: Where Do We Go from Here?

The end of work

To its proponents, the welfare reform legislation before Congress will finally allow states the flexibility to shape their own anti-poverty policies. To opponents, it is dangerous because it repeals the national "entitlement" that poor children currently enjoy. Yet states have always had enormous control over Aid to Families with Dependent Children. Mississippi sets benefits at $120 per month for a family of three, Connecticut at more than $600. Children are entitled only to whatever states are willing to provide. And with the extraordinary willingness of the Clinton administration to grant waivers from existing federal statutes for state reform programs, the arguments that states can or cannot be trusted seem moot.

What is really at stake is far more fundamental: whether this legislation will, as real reform must, transform the current check-writing system into one based on work, or whether it will instead set in motion draconian budget cuts that leave poor families worse off than today.

There are draconian cuts in the bill as drafted—enough that, according to Office of Management and Budget estimates, more than a million more children will become poor if the legislation is enacted. There are sharp cuts in Food Stamps to working families, benefits to disabled children, support for needy legal immigrants who are not yet citizens.

Even more worrisome, the bill creates incentives for states to cut people off rather than get them into jobs. Prior to this legislation, any cut or increase in state spending for needy families was matched at least dollar for dollar with federal aid. For poorer states the federal match rate reached 4 to 1. Under the proposed congressional reform, federal money will be delivered in fixed block grants, largely unrelated to state spending, removing a powerful incentive to maintain state aid to struggling families.

Moreover, to continue receiving the full federal grants, states must move 50 percent of their caseload into jobs. I strongly support work requirements. But in the short run, work programs cost more than handouts. For states such as Mississippi and Arkansas, the proposed block grants would provide less than $15 per poor child per week for cash aid, workfare, training, childcare and other supports combined. I expect many poorer states will discover they simply cannot put people to work with so little money. So they will opt for a much cheaper way to reduce the rolls: set rigid time limits and then cut families off cold turkey. Under the proposed bill, recipients can be cut off even if there are no jobs available, and even if they would willingly take a workfare job. (Contrast this with the original Clinton bill, which required work of everyone after two years, but used the saved welfare money to help create temporary subsidized employment for people who couldn't find jobs.)

Faced with these incentives, some states will surely reduce benefits. Neighboring states, fearing welfare migration, will feel compelled to do so, too. The race for the bottom will begin. Meanwhile, support seems sure to wither at the federal level as well. Who will defend the probably unpopular "welfare block grant" in future years when the budget climate is even tighter?

I fear that "welfare reform," which held so much promise two years ago, has become an election-fueled tragedy in the making.

DAVID T. ELLWOOD

DAVID T. ELLWOOD is Malcolm Wiener Professor of Public Policy at Harvard's Kennedy School of Government.

Hit and myth

Am I missing something? Throw people off welfare in the name of strengthening families and alleviating poverty? The logic of the likely congressional welfare bill goes something like this: ending a mother's welfare payments will force her to find a job. Bingo. We've got a working mom, and she's no longer poor. Why didn't we think of this a long time ago?

Because it's not so simple. I, like most others familiar with AFDC, believe that welfare hasn't worked as it was intended. It can act as a disincentive to work. It has for some become a way of life. There are children whose parents or grandparents have never held a job. But how is letting states throw people off welfare after two years going to help?

Myth #1: Stop welfare benefits and mom will find a job. Anyone who runs a welfare-to-work program will tell you it takes extraordinary effort to get someone who has for many years been without a job into the workforce. People don't work or can't hold onto work for reasons that have nothing to do with laziness. Some don't have the skills or self-discipline. Or they can't afford childcare. Or they are depressed, as would be most anyone assaulted by the crushing forces of drugs, violence and the physical collapse of entire neighborhoods. Jack Connelly, who runs Jobs for Youth, a Chicago-based job placement program for young inner-city men and women, figures his counselors must remain intimately involved with a client for two years before the client can be an independent and reliable worker. With Congress cutting overall funding, are the states going to pay to do this?

Myth #2: Dismantle welfare and we'll end the intergenerational poverty of the "underclass." There's a town of 12,000 in southwestern Michigan, Benton Harbor, where 45 percent of households receive public assistance. The wealthier people in the surrounding areas blame the town's decline on Michigan's generous welfare benefits. Single mothers with kids in tow, the story goes, journeyed to Benton Harbor from Indiana and Illinois so they could live like royalty. But Benton Harbor many years ago actively recruited Southern blacks to work its foundries and auto parts plants. Most of them have since closed, leaving these same people jobless. Nothing has replaced these industrial jobs—and there will still be nothing when after two years families are told to work or sink.

Myth #3: Limit benefits to two years and we'll strengthen families. This may be the most damaging assumption of all. Sure, some moms will find work and the self-esteem that accompanies it. But since many probably won't get or keep jobs, the loss of financial help for food, clothes and shelter (which is about all that welfare pays for) will lead to desperation, particularly among children. It's not as if other institutions can pick up the slack. Inner-city schools don't prepare kids for the workforce or college. The beat cop is too busy fighting the drug war to befriend the kids. And neighborhood-based programs have lost much of their public support. Jobs for Youth, for example, has had its annual federal funding slashed from $600,000 six years ago to $87,000 now.

Poor, urban communities, say both liberals and conservatives, are unraveling. Cutting financial assistance to families—without money for job creation, job training and daycare—will only accelerate that unraveling, not halt it.

ALEX KOTLOWITZ

ALEX KOTLOWITZ is author of *There Are No Children Here* (Doubleday).

Samaritan's dilemma

The welfare debate has shifted rightward with such remarkable speed that changes that until recently would have seemed beyond the pale are now deemed necessary and desirable. Ending the federal government's responsibility to provide for indigent children is one such change. I cannot predict the effect of such a momentous alteration of child welfare policy; neither, it seems, can those more expert than me. But I am deeply wary.

Is it really no concern of the federal government if a state spends so little on its poorest children that they go hungry? Or, from a different perspective, should Washington forgo the chance to introduce on a national basis reforms in welfare policy that promise to reduce illegitimate births, or move adults into the workforce? Few devolution advocates insist Congress leave crime policy entirely to the states. Most appreciate that crime is a *national* concern, on which their constituents expect them to deliberate and act. Is not the welfare of impoverished children as important?

Without doubt, America's social fabric has unraveled to some degree over the past two generations. By allowing young women to bear children outside of marriage and still marginally support themselves, AFDC has, in effect, pulled on our social fabric's loose threads. But I am not as sanguine as some that ending the federal welfare entitlement will put Humpty Dumpty back together again. In the first place, the decline of marriage, the rise in sexual promiscuity and the growth of out-of-wedlock childbearing are worldwide trends, observable across social classes and only modestly related to the incentives created by transfer programs. Welfare policy, whether undertaken at the state or the federal level, is a crude tool for cultural reform. I predict disappointing results for those bent on defending "our values" from the ignoble influences of modernity by making it harder for indigent mothers to get the resources their children need to survive.

Second, whatever the encouragement given by AFDC to unwed childbearing, it is likely to persist under any system that offers hope to the families in which poor children live. Students of public finance are familiar with the "Samaritan's Dilemma": since the Samaritan hates to see others suffer, he cannot credibly discourage irresponsible behavior by threatening to force others to live with the consequences of their acts. And a wealthy, decent society like ours will not tolerate the suffering of innocents. Needy children born out of wedlock will, in the vast majority of cases, remain in the care of their mothers. When these mothers cannot provide food, clothing and shelter to their children, assistance will come from the Samaritans in their midst—and they know it. If federal aid is cut, local aid and private charity will rise to fill the gap. Changing the name of the Samaritan doesn't solve the dilemma.

By drastically cutting benefits to helpless people, radical reformers invite a new "sanctuary movement," one that will dwarf the effort of the same name mounted in reaction to Reagan's Central America policy in the 1980s. The irony is that these humane responses by citizens in reaction to the harsh policy of their government will defeat, or substantially offset, the intention of that policy: to make unwed childbearing so miserable an experience that no young woman would choose to endure it.

GLENN LOURY

GLENN LOURY is author of *One by One From the Inside Out* (The Free Press).

What we know

With the federal entitlement to welfare apparently about to expire, we're told that the states, unfettered by federal requirements, will become laboratories in which the mysteries of persistent poverty can be probed and a multiplicity of daring experiments tried out. Why stop with welfare? Let's take the test-tube approach to all our difficulties: Michigan could test whether abolishing Social Security boosts savings rates or cat food consumption by humans. California could see if public flogging deters teen sex. New York could fire its costly police force and try out neighborhood posses instead.

The truth is, we may not know how to "restore" the stable working-class two-parent family, a historically specific social form now in decline around the globe. But we know a great deal about what children need if they are to grow up well. They need to eat, for one thing; the House welfare bill cuts the Food Stamp budget by $27.5 billion over six years. They need well-staffed, quality daycare and preschools; the bill creates tremendous demand for childcare without providing anything like sufficient resources. We also know that New Jersey's three-year-old "family cap"—denying benefits to children born to a mother on welfare—has not reduced such births; nonetheless, the bill before Congress imposes a federal version of the family cap. We know that there are fourteen applicants for every fast-food job in Harlem; the bill does nothing to create employment and cuts welfare mothers off—for life—after a maximum of five years, whether or not they can find work. What happens then?

On what basis do we assume that the states, left to their own devices, will use their powers wisely and fairly? Even under the current system, some states set benefits scandalously low. In 1994, a family of three received $120 a week in Mississippi, $184 in Texas, $280 in Georgia. Block grant programs are, moreover, notoriously open to graft and abuse: in 1993, Mississippi's Human Services Department squandered its entire childcare and child-development block grant—$8.3 million—on Pentagon-style boondoggles and frivolities. Block grant fans portray the states as beacons of practical experience in social innovation—and a few may be. But it's certainly suggestive that twenty-two states are today partially or totally under court supervision for having mishandled foster care and other programs protecting children from abuse or neglect. It's also suggestive that the Senate voted down Paul Wellstone when he proposed requiring the Department of Health and Human Services to keep track of the effect of the welfare bill on child poverty. Apparently we are to conduct a grand experiment in the lives and health of children with no publishable results.

The notion that impoverishing the poor will bring about a reign of virtue and industry is a piece of pure ideology on a par with calling for "lavishly funded" orphanages. It bears no connection to how people actually live. You could say that Latin America has been one big laboratory for this idea—lots of religion, no social services. We know how that's turned out, and we know how welfare reform will turn out, too: wages will go down, families will fracture, millions of children will be more miserable than ever.

KATHA POLLITT

KATHA POLLITT is a columnist at *The Nation*.

Bury it

The last thing Bill Clinton wants as the 1996 presidential campaign enters the home stretch is a bunch of television ads featuring his 1992 pledge to "end welfare as we know it," followed by Republican commentators intoning that he blew "three chances" to do just that. So the president will probably endorse whatever the House and Senate plop on his desk.

But "welfare as we know it" will not end when Clinton signs. Ever since the Social Security Act of 1935, public assistance has been a patchwork of partial subsidies and mild oversight from Washington, channeled through widely varying state administrative arrangements and eligibility rules. If the current "reform" passes, the federal "guarantee" to contribute some aid to all eligible children will end.

That matters. But more consequential will be the dynamics set in motion in the states. Many states won't pay for much job training, and the new rules won't require them to do so. The new legislation will also encourage cost-conscious state governments to substitute federal funds, which they'll continue to receive, for monies of their own they must currently contribute to qualify for federal subsidies.

So the impending welfare changes should be called the "Shirk Responsibility for the Poor Act of 1996." Congress will proclaim that the federal government has ended the "failed welfare programs" of the past, while the states will save money on the poor. The federal-state patchwork will remain, but with less money. Anyone who supposes the new legislation will produce large numbers of new intact working families is welcome to check the data in a few years.

Many Democratic Party progressives swear to battle these welfare transformations to the end. But I find myself unwilling to woman the barricades. Whether or not Clinton signs this summer, the Democrats have signaled their willingness to dismantle federal welfare guarantees. The death knell for Aid to Families with Dependent Children is tolling. It is time to bury the corpse and move on.

AFDC started—not in 1935, as many people think, but in the 1910s—when forty states passed mothers' pensions, allowing local governments to make payments to impoverished widows so they could care for children in their own homes (rather than surrendering them to orphanages or foster care). When mothers' pensions became federally subsidized with Aid to Dependent Children in 1935, Americans still presumed a mother's place was in the home. But in the late twentieth century, they no longer do. Across the class structure, fathers and mothers alike hold paid employment. People will no longer accept a welfare system that ostensibly pays poor mothers to stay home. But the states are unlikely to turn AFDC into an effective work program.

Progressives should give up defending an outmoded and terribly inadequate welfare system centered on AFDC. They should call instead for work and family policies applicable to everyone, yet structured to give extra help to the least privileged working parents. Conservatives say they want work and responsible parenthood? Let's take them up on it—and try to create social policies that make it possible for all Americans, poor or not, to work while caring for children. Only when progressives adopt such an approach will welfare reform as we know it come, blessedly, to an end.

THEDA SKOCPOL

THEDA SKOCPOL is author of *Boomerang: Clinton's Health Security Effort and the Turn Against Government in U.S. Politics* (W.W. Norton).

In an ideal world

As long as government responds to all unmarried women and fatherless children with one program—AFDC—welfare cannot be fundamentally reformed. Poor divorced mothers need help to survive the end of a marriage, but they usually stay on AFDC a short time, and such help can be supplied by states with only modest federal assistance or direction.

Unmarried teenage moms, by contrast, are the heart of the underclass problem, bearing children who never have a father and who sometimes spend a lifetime on welfare. Since the crisis of the underclass affects the entire nation, substantial federal assistance, if only modest federal direction, is needed.

In an ideal world, AFDC would not exist. There would be instead three different programs run by different state agencies and receiving differing amounts of federal support. It might look something like this:

The *Program in Child Development* would offer cash, Food Stamps and medical care to unmarried mothers under 18. Administered by each state's department of child services, not a welfare agency, it would require, as a condition of aid, that the teenager live with her child in a group home or family shelter. The shelter, administered by a church or private organization, would supply parental instruction, supervise childcare, ban alcohol or drug use, and insist that each mother complete high school. Men who father the children of underage mothers would, when identified, be offered a choice between marrying the mother or facing prosecution for statutory rape. The Program in Child Development would concentrate federal dollars on those mothers and children likely to spend lifetimes on welfare, and it would supply serious parental instruction free of a mandatory work requirement.

The *Program in Parent Training* would serve women age 18 and older who apply to it because they have had a child and lack a husband. Like the Program in Child Development, it would be run by a state's department of child services. It would supply not only cash, Food Stamps and medical care but also a housing allowance. As a condition of receiving this aid, each mother would be required to receive regular home visits and parent-training sessions and to take available jobs provided adequate daycare was available for the child. Women would be eligible for three years of such aid, but no more.

The *Program in Maternal Assistance* would aid mothers who, though once married, have lost their husbands to death, desertion or divorce. It would be run by a state's employment service and consist of financial aid accompanied by a job training and job placement program. Its beneficiaries would be women hurt by temporary adversity, who now stay on AFDC for only a short time. Their plight would be clearly and bureaucratically separate from teenage illegitimacy.

Each of the three programs would have its own separate financing. Other than setting general rules, no program would receive any detailed federal guidance. The first would enjoy substantial federal financing but exclusively private management; the third would have the least federal financing and a mixture of public and private management. Periodically each state's programs would be subject to external review by something like the Manpower Demonstration Research Corporation.

If we had today's social problems but Aid to Families with Dependent Children had never existed, we would probably create something like this. Today, with AFDC, we are fighting over how to "fix" a program with diverse and incompatible ends. I doubt we can.

JAMES Q. WILSON

JAMES Q. WILSON is author of *The Moral Sense* (The Free Press).

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THE WHITE HOUSE

WASHINGTON

PERSONAL AND ~~CONFIDENTIAL~~

July 30, 1996

Dear Mr. President,

I know that you are facing one of the most difficult political and policy decisions of your first term on whether to sign or veto the welfare reform bill. As your national economic adviser, I feel compelled to share my views with you.

I believe there are several economic reasons why you should veto the bill. First, the deep cuts in the food stamp program and the conversion of the AFDC guarantee into a bloc grant with a clearly inadequate contingency fund will reduce the automatic stabilizers that the economy relies upon to moderate the personal and national costs of unforeseen economic slowdowns and recessions. I wish I could promise you that our economic policy has made recessions obsolete, but truth in advertising tells me I cannot. Second, economic logic indicates that a bloc grant approach to AFDC with an inadequate maintenance of effort provision will gradually but inexorably cause a race to the bottom among states, even those whose populations might otherwise be inclined to support more generous provisions for their poor. Thus, the long-run implications of this bill for those who are today eligible for AFDC are considerably worse than the short-run implications. Third, the United States already enjoys the scurrilous distinction of having the largest fraction of its children living in poverty, and children who are poor in the United States are actually poorer than their counterparts in the other advanced industrial countries. How can we support legislation that threatens to increase the number of children living in poverty by more than 1 million according to the Urban Institute (upon which this Administration has relied for much of its own analytical work on health and welfare)?

The moral arguments against signing legislation that threatens the physical and mental well-being of more than a million helpless, young, innocent Americans are strong enough. But there is also a powerful economic argument. A 1995 study by a group of economists chaired by Robert Solow examined the effects of childhood poverty on an individual's future productivity and living standards. The study concluded that childhood poverty itself, as distinct from such factors as family structure, race, and parental education, has a significant adverse effect on both the educational attainment and the future wages of the nation's poor children. The study found that children who experience poverty between the ages of 6 and 15 years are two to three times more likely than those who are never poor to become high-school dropouts. Using years of schooling as a predictor of future hourly wages, the study concluded that just 1 year of poverty for the 14.6 million children and their families in poverty in 1992 costs the economy somewhere between $36 billion and $177 billion in reduced future productivity and employment. These results indicate that a bill that saves $60 billion by throwing a million more children into poverty will exact a serious offsetting cost in terms of lower productivity in the future, not to mention more blighted personal lives. Nor, as the CBO itself has documented, does the bill provide adequate money to support its own welfare to work requirements. Instead, to the extent that those who lose welfare are lucky enough to find a job, a likely result will be downward wage pressure on whatever low-income, low-skill jobs are available.

Moreover, the huge cuts in the food stamp program in the welfare bill threaten to undermine our commitment to provide an above-poverty living standard to any American family with one full-time employed worker through a combination of a higher minimum wage, an expanded EITC, and food stamp eligibility. Much of what we have won through the EITC and a hike in the minimum wage will be lost as a result of these unnecessarily large food stamp cuts. Finally, cutting $60 billion out of our most important low income budgetary programs will exacerbate one of our nation's most glaring economic problems -- the widening income disparities between the rich and the poor and the decline in real incomes for the poorest over the past 20 years.

I regret that the economic team was not able to play a larger role in the Administration's evolving position on welfare. I believe that if we had you might find yourself confronted with a more palatable choice today. I hope the economic arguments I have provided here will help you make your decision. I have also taken the liberty to work with Alicia Munnell of the CEA to solicit a few letters on welfare reform to you from outstanding economists with whom the Administration has worked closely on a variety of issues. Attached you will find letters from Charlie Schultze, Henry Aaron, and Robert Solow, all urging you to veto the welfare reform bill.

Laura

The Brookings Institution

1775 Massachusetts Avenue, N.W. Washington, D.C. 20036-2188

Economic Studies Program

Charles L. Schultze
Tel: (202) 797-6295

Fax: (202) 797-6181

E-Mail: cschultze@brook.edu

July 29, 1996

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

Only unthinking partisans will fail to recognize the difficult decision you face on both substantive and political grounds in determining whether to veto the welfare bill. Nevertheless, I think the long-run good of the country strongly calls for a veto, even if the Congress sends you legislation closer to the Senate than the House version. Two aspects of the bills are particularly harmful:

- Both bills fail to provide the substantial sums necessary to make sure that during the difficult transition to a tougher welfare system, the new work requirements and benefit terminations do not substantially increase the number of poor families and children.

- Over the long run, the conversion of AFDC and possibly food stamps to block grants, and the accompanying elimination of a federally-supported individual eligibility standard, will have the pernicious and unintended effect of driving public assistance to the poor well below what a large majority of Americans would be willing to support.

I agree with the need to set rigorous work standards for welfare recipients and to introduce a very tough-minded policy against open-ended support for the formation of single-parent families with illegitimate children. But the federal government should then provide a major share of the large additional sums needed to make sure that these reforms occur without adding, as the present bills will do, another 1 million or more children to the rolls of the poor.

Block grants and devolution of many current federal responsibilities to the states make eminent good sense. But the one function that ought *not* to be devolved to the states is the full responsibility for determining the overall level of financial support for the poor (although, as you have already demonstrated, states can be given much more responsibility for program content).

To the extent that some states attempt to maintain a decent safety net while others skimp -- in order to attract industry, and to minimize the number of "tax eating" poor -- the taxpayers in the more generous states will be forced to pay twice: First they pay the direct costs of assistance to the poor, and second, they are saddled with the additional tax rates that are needed as the poor move in while industry and middle- and upper-income taxpayers move out. Over the long run no feasible maintenance of effort provisions will prevent this outcome -- certainly not those in the current welfare bills. And so, decent middle- and upper-income Americans and responsible state governments, who would be perfectly willing to pay the costs of a reasonable safety net, will gradually be forced into scaling back their support for the poor.

I realize, Mr. President, that with respect to the AFDC program you have not raised the objection to block grants that I spelled out above, so that you cannot veto the bill on that explicit ground. Nevertheless the other objectionable parts in the bill you will receive provide a substantive and politically saleable rationale for a veto. And to the specific arguments of those among your advisers who are recommending a veto, I would add the serious long-run dangers to American society that would ensue if, unlike virtually every other advanced nation, we abandoned the framework of a nationally-determined safety net for the country's poor.

I wish you every success, but particularly over the next four months.

Cordially,

Charles L. Schultze

Charles L. Schultze
Senior Fellow

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

DEPARTMENT OF ECONOMICS CAMBRIDGE, MASSACHUSETTS 02139-4307

29 July 1996

The Honorable William Jefferson Clinton
The White House
Washington, DC 20500

Dear Mr. President:

I realize that your decision whether to sign or veto the Welfare Reform Bill has all sorts of delicate and complex political consequences. And I know that every possible argument for and against specific provisions of the Senate bill has already been laid out for you. Nevertheless, I want to take a page to urge you to veto the bill, from a perspective that may not have been emphasized very much.

We both start from the belief that transforming welfare into work is important for the self-respect of the participants as well as for the comfort of society at large. That is the goal you had in mind when you first embraced welfare reform and it is still the right goal. All of the evidence tells us that it is a very difficult goal to achieve, especially at a time when the earning power of unskilled men and women who are lucky enough to hold jobs is decreasing. Cutting off AFDC payments will not automatically cause jobs to appear for those forced off the welfare rolls. A more likely result will be even lower wages for whatever jobs are available. The current bill is clearly inadequate in its approach to the provision of training for jobs to make the transition possible. Administering a work-welfare program with even a minimum of humanity and competence will be neither simple nor cheap.

To go at this in a mean-spirited and ham-handed way is simply not decent, and it may end up by discrediting the concept of welfare reform. No one has asserted more clearly than you that the costs of this punitive approach will fall very heavily on children. That is evil in itself, and it will have the effect of prolonging the existence of a hopeless underclass for another generation.

Precisely because transforming welfare into work is so difficult to do well, we will have to learn as we go along, with some turmoil in the process. That is the worst time in the world to be further shredding the safety net under poor children. I hope you will decide not to go along with that, and will be able to make people understand that your position rests both on analysis and on decency.

This is being written on a clear, beautiful day on the Vineyard. Wish you were here.

Sincerely,

Bob

Robert M. Solow

The Brookings Institution

1775 Massachusetts Avenue N.W.
Washington, D.C. 20036
Phone (202) 797-6128 FAX (202) 797-6181

26 July 1996

The Honorable Bill Clinton
President of the United States
The White House
Washington, D.C.

Dear Mr. President:

I am writing to urge you to speak out strongly against Congressional approval of the welfare reform legislation that now appears likely to emerge from the House-Senate conference and then to veto the resulting bill.

The bills passed by both House and Senate grotesquely distort the goals you set for welfare reform four years ago. You called for reforms that would provide strong incentives to welfare recipients to find productive work and that would provide states with the flexibility and the means to effectuate those incentives. You presented such draft legislation to Congress. You have used waiver authority--ahead of legislative action--to provide states with much of the flexibility they need to implement desirable reforms

In contrast to the House and Senate bills, your draft legislation would not have plunged more than one million children--and more than 2-1/2 million people overall--into poverty. Your bill lowered the poverty income gap, while the current bills increase it dramatically--by as much as $4 billion or 20 percent.

Your proposals did not slash per person food stamp benefits by more than one-fifth over the next six years--to a meager 66 cents per meal, or terminate benefits altogether for able-bodied adults who are willing and able to work.

Your proposal did not relieve states of any obligation to provide benefits to children, even if the child's parents were poor, met all state eligibility requirements, and were willing to work.

Your proposal did not make a mockery of the work requirement it imposed, as the House and Senate bills do, by denying states the resources they need to fulfill those bills' own work requirements.

Your bill did not treat legal immigrants as pariahs, as the current bill does by denying Medicaid benefits for as long as ten years.

The current bills now being reconciled in conference are, in most important respects, far more draconian than the earlier bill that you quite properly vetoed. I have studied welfare policy for a long time--long enough to know that the status quo is not acceptable--but also long enough to know that the bill now taking shape in conference is a programmatic disaster waiting to happen.

I understand that the political pressures are powerful to approve the bill that emerges from the conference committee. I also realize that I have few credentials as an expert on politics. But I strongly believe that by taking a firm and public position against the bill now emerging from Congress, you can recapture welfare reform as a major political asset. Your veto will be sustained if you make clear to wavering Democrats in a major public statement that you cannot support the legislation emerging from the Conference committee. Doing so in a prime-time news conference or a televised address would make it difficult for Democratic members of Congress to desert their president during an election year. Through such a venue, you can make clear to the American public that you initiated the debate on welfare reform because you fully appreciate that the current system cannot and should not continue as it is and that you have used waiver authority to enable constructive state reforms. You can reiterate that you stand ready to sign constructive legislation, but that reform should be compassionate and far-sighted, not mean-spirited and myopic. And you can make clear that on these principles you will not be moved.

Sincerely yours,

Henry J. Aaron

Henry J. Aaron
Senior Fellow

178640

THE WHITE HOUSE

WASHINGTON

96 JUL 29 P7:36

July 29, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: LEON E. PANETTA
CHIEF OF STAFF

SUBJECT: Telephone Call to Marian Wright Edelman

Marian Wright Edelman is anxious to meet with you in the early part of the week on welfare reform. While I do not think it is necessary for you to meet with her, I strongly recommend that you place a call to her before Wednesday so you may discuss her concerns.

Attached is the letter she sent you requesting the meeting, along with a statement she plans to release calling on you to veto the welfare reform bill.

Attachment

DEAR LORD BE GOOD TO ME THE SEA IS SO WIDE AND MY BOAT IS SO SMALL

Children's Defense Fund

July 29, 1996

The Honorable William Clinton
President of the United States
1600 Pennsylvania Avenue
Washington, DC 20500-2000

Dear Mr. President:

I always seek to share my about to be expressed public views with your staff and with you before I release them. Therefore, I enclose my statement on the pending anti-child Senate and House "welfare reform" legislation for your information. I hope you will veto it.

I request a five minute meeting with you today or Wednesday or before you decide whether or not to sign any pending "welfare reform" bill.

I look forward to hearing from you.

Sincerely yours,

Marian Wright Edelman

25 E Street, NW
Washington, DC 20001

FOR IMMEDIATE RELEASE
Monday, July 29, 1996

Contact: Sarah Howe 202-662-3609
Lisa McDougal 202-662-3615

SENATE AND HOUSE WELFARE BILLS A FRAUD ON AMERICAN PEOPLE & POLITICAL CHILD ABUSE

Edelman Urges Presidential Veto of Social Time Bomb

WASHINGTON, D.C. -- The following statement was issued today by Children's Defense Fund President Marian Wright Edelman during a news conference at the National Press Club:

"Calling the pending Senate and House legislation 'welfare reform' is like calling ketchup a vegetable. Unlike ketchup, the massive harm these so-called 'welfare reform' bills will inflict on poor, hungry, and disabled children and those at risk of domestic violence is life threatening and permanent for the many children they will leave behind in hunger and poverty.

"These pernicious Senate and House welfare bills are social and political time bombs that will explode in families, schools, neighborhoods, and cities all over America for years and decades to come. If enacted, they will leave a moral hole in the soul of America that can never be repaired.

"As an American, as a parent, as a child advocate, and as a person of faith, I am ashamed that I and my colleagues have to hold a press conference urging any of our political leaders from any party -- in the Congress or in the White House -- to reject legislation they <u>know</u> will hurt children. What kind of political leaders hold children hostage in an election year game of political chicken to see who will blink first in enacting reform that will hurt millions of poor and disabled children, working families, and legal immigrants?

"What kind of leaders would vote for a welfare bill that will throw another 2.6 million families, including <u>1.1 million children</u> into poverty and further impoverish millions more already poor children and families in the richest nation on earth? What kind of political leaders would vote to eradicate a 61-year-old national safety net for children, permit states to decrease their own child investments by at least 20 percent, cut $60 billion from poor families -- the majority of whom work and are struggling to make ends meet -- and from legal immigrants, while not cutting a dime from corporate welfare recipients, affluent individuals, or Pentagon fat?

-more-

"What kind of leaders would deny benefits to more than 300,000 disabled children and as many as 350,000 legal immigrant children and cut food benefits for 14 million children? What kind of political leaders would propose to take away an average of $1300 from low-income families while considering new tax breaks for non-poor families and corporations?

"What kind of leaders would talk about putting people to work while guaranteeing not a single new job, and without assuring adequate child care for all the parents they require to work? What kind of leaders would deny millions of children survival assistance, even diapers, after their parents are cut off from all income assistance as millions will be under Senate and House bills?

"The American people ought to ask their leaders to cite the biblical and American principles of justice that would justify turning the needy into the greedy and the greedy into the needy official national policy.

"The President of the United States rightly has twice vetoed false welfare reform bills that hurt children. Moral and political consistency require him to veto current Senate and House bills which would hurt millions of children. At McClellan Air Force Base, California on July 23, the President said, "I just don't want to do anything that hurts children." That same day in Sacramento he said, "We want real welfare reform . . . that honors work and protects children." And so do we. We are committed to working with the Congress and with the Administration on real welfare reform that protects children, puts parents in training and into work after the election year games are over.

"Since the last anti-child welfare reform bill was vetoed by the President on January 9, 488,227 American children have been born into poverty and 5,230 children have died from poverty. It is unconscionable that Congress and President Clinton would knowingly exacerbate this indefensible and largely preventable poverty by making millions more children poor, hungry, and homeless.

"Albert Camus said in 1948, "perhaps we cannot prevent this from being a world in which children are tortured. But we can reduce the number of tortured children." Perhaps we cannot end child poverty this year, but we can surely keep more children from becoming poor by rejecting unjust legislation.

"If America cannot stand up for, protect and invest in its children, it does not stand for anything and will not stand strong in the new century and millennium. The infants and toddlers and school-age children whose lives will be stunted by this false 'welfare reform' legislation deserve more from their nation. I hope the Congress and the President of the United States will give our children what they deserve -- freedom from hunger, poverty, neglect and abuse."

-30-

Children's Defense Fund

JUL 29 P7:37

July 19, 1996

The Honorable William Clinton
President of the United States
1600 Pennsylvania Avenue
Washington, DC 20500-2000

Dear Mr. President:

As politically popular as it may appear to be in an election year to support welfare reform at any cost, I urge you to veto, once again, the anti-child, anti-poor, anti-working family, and anti-legal immigrant "welfare reform" legislation pending in the Congress. I do so strongly and unwaveringly for the many reasons stated below.

I strongly support your desire for and the need to enact true welfare reform legislation that encourages and enables parents to work. Welfare reform that guarantees parents training and jobs, protects children from poverty, prevents neglect and abuse, improves child life chances through adequate nutrition, health and child care, and leaves children and families better rather than worse off, is long overdue.

None of the pending Congressional welfare reform bills meets these tests. Instead, they single out children and poor families for unfair massive budget cuts and the destruction of basic nutrition, child care and health protections. Corporate welfare recipients, wealthy Americans, Pentagon contractors and other powerful interest groups have not been subjected to such budget assaults.

Since you vetoed the last anti-child welfare reform bill on January 9, 488,227 babies have been born into poverty; 5,230 children have died from poverty; and 17,510 infants have died in the first year of life.

25 E Street, NW
Washington, DC 20001
Telephone 202 628 8787
Fax 202 662 3510

Pending welfare reform legislation will exacerbate this indefensible and largely preventable child poverty, suffering and mortality in the richest nation on earth. Making even one more child poor should be avoided. Enacting legislation that you, the Congress, and I know will make hundreds of thousands -- even millions -- of children poorer and hungrier cannot be justified on either moral or common sense grounds.

The costs of child poverty to the children and to the nation are astounding. Low income children are three times more likely than other children to die during childhood, and suffer far more frequently and longer from a range of disabilities and illness. They have lower average IQs and achievement scores and higher grade retention and dropout rates. A study directed by Nobel Laureate Robert Solow concluded that the estimated cost of our nation's already extraordinarily high child poverty rates in terms of lost productivity when the children become adults is over $36 billion a year.

The "welfare reform" bills moving through Congress contain essentially the same fundamental flaws as the bills you rightly vetoed earlier. I urge you to stand up for children again by vetoing unjust welfare reform legislation that will:

- push at least 1 million new children into poverty and drive millions more children deeper into poverty. While some may dispute the precise numbers, we know that hundreds of thousands more children will be impoverished by the pending bills. It would be unconscionable for you not to document the impact of any bill likely to harm children before signing it. To paraphrase an African proverb: Not to know is bad. Not to want to know is worse. Convenient political ignorance at the expense of children is indefensible.

- eradicate and replace the sixty year old guarantee of income assistance for poor children and families with flat sum block grants with billions fewer federal and state dollars and little or no state accountability. This is radical abandonment of national protection of children and the poor. It replaces national justice with justice by geography for children who chose neither their parents nor place of birth. Stripping them of guaranteed protection during times of natural disaster, recession, and parental unemployment as this legislation does is just plain wrong.

- impose a mandatory "family cap" in all states unless they enact laws to exempt themselves from its requirements. States would be unable to offer assistance for babies born to families already on welfare, driving them deeper into poverty. This unfairly punishes children in an attempt to punish and change parental behavior without a shred of evidence it would work. Why not wait and see what experience shows from waivers you have granted before placing many more children in jeopardy?

- erode current state investment in children. Children will be far worse off if states cut income assistance up to 20 percent as the Senate bill or 25 percent as the House bill allows. Maintaining current state effort should be a bottom line requirement in any welfare reform legislation.

- require that children in families who reach the federally mandated five-year time limit be given nothing whether or not the parent can find work. States would not even have the option to offer vouchers to meet children's most basic needs after the time limit. An estimated 3.3 million children would lose all assistance once a five-year limit was fully phased in. Any state could impose a much shorter time limit and leave children and families destitute earlier. How can these provisions be squared with your repeated assertion that those who play by the rules should be protected? What does a parent do who seeks but cannot find a job? And worse, what do the children do?

- deny 300,000 children with serious disabilities SSI (Supplemental Security Income) cash assistance.

- make many more children hungrier. Food stamp cuts of $27.5 billion over six years will reduce the average nutrition benefit from 80 to 66 cents a person a meal taking inflation into account. Households with income below half the poverty level ($6,250 for a family of three) would lose an average of $650 a year in food stamp benefits. A total of 14 million children will lose nutrition benefits.

- allow states to eliminate guaranteed nutritional aid to poor families by choosing a food stamp block grant and no longer require food assistance to families meeting their eligibility criteria.

- render most legal immigrants, including children, immediately ineligible for almost all federal and state benefits and services other than emergency services. These anti-legal immigrant provisions are harsher than those you previously vetoed which permitted a one-year phase-in period before aid cut off.

- threaten child safety. The House bill block grants child protection services and ends assured federal funds for preventing child abuse and neglect. (The Senate bill rejects these block grants.)

- exempt states from any obligation to provide assistance to anyone, including a woman and her children trying to escape abuse. No domestic violence victim could be confident that if she left her abusive spouse she could rely on cash assistance for herself and her children for even a short period of time until she could secure employment.

- impose unrealistic and underfunded work requirements without enough child care money to support parents who must work. States cannot put the required 1.7 million mothers to work without a giant leap upward in capacity. In 1994 only 450,000 parents participated in the JOBS program (which has a broader and more flexible definition of allowable activities). Preliminary staff estimates by the Congressional Budget Office indicate there would be a shortfall of $12.8 billion if states fully implemented the work requirements and another $1.5 billion shortfall in related child care funding.

- guarantee not a single job or job training. Mothers trying to compete for a job providing a real route out of poverty would find it extremely difficult to get the education or training they need. Although half of AFDC mothers have not completed high school, the bills restrict access to training and education. Most training would have to be in addition to a 35-hour per week work requirement and most likely would not be accompanied by help with child care. And for all the talk about work, no jobs are assured.

- eliminate guaranteed health coverage through Medicaid for children who lose AFDC or SSI as well as for legal immigrant children. Health coverage could end for 1.2 million women and children if all states implemented a two-year time limit on cash assistance. While amendments to the pending welfare bills may address the potential loss of Medicaid coverage for children who lose AFDC, the loss of coverage for SSI and legal immigrant children in itself would be a major blow to efforts to extend health coverage to all children.

Taken together, these assaults on children are far too grave to be justified on any grounds. While genuine reform on a national level is essential, you have eloquently reminded the nation many times that three-fourths of all families on welfare live in states that already have "reformed" their welfare systems under waivers granted by your administration. We should continue down this path until it is possible to secure national reforms that do not come at the expense of essential food, health care, and basic income support for our most vulnerable children.

Only you can stop unjust erosion in child well being and lead our nation towards real and needed welfare reform. Only you can prevent the enactment of welfare legislation that increases rather than decreases the number of children living in poverty in the richest nation on earth. Only you can provide the political and moral leadership and direction to help our nation do better -- as it must -- for our children. Only you can give our children hope and rekindle confidence in fair government for all and not just for some.

As you know, on June 1, 1996 hundreds of thousands of parents, grandparents, and community leaders from every race, class, state, faith, and political party stood together at the Lincoln Memorial to commit ourselves to doing better for children and to urge our communities and government at all levels to do better. As we face a new century and millennium, a thriving and rapidly expanding national movement for children is committed to doing everything in our power to make children America's first priority, and to make the kind of proposals that harm children that we have witnessed this year unthinkable in years to come.

Albert Camus said in 1948: "Perhaps we cannot prevent this world from being a world in which children are tortured. But we can reduce the number of tortured children." Perhaps we cannot end child poverty this year, but we can surely keep more children from becoming poor by rejecting unjust legislation.

If America cannot stand up for, protect, and invest in its children, it does not stand for anything and will not stand strong in the new century and millennium. The infants and pre-schoolers and school age children whose lives will be stunted by this false welfare reform legislation deserve more from their nation. I hope you will see that they get it.

Sincerely yours,

Mari

Marian Wright Edelman