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**Welfare as We Ought to Know It:
A Case for Revitalizing the Temporary Assistance to Needy Families
Program**

Public Policy and Law Senior Thesis

**Alexis M. Maguina
Class of 2013**

Table of Contents

Introduction.....	4
Chapter 1: Historical Analysis of Welfare.....	7
The New Deal Era (1900s-1940)	7
The Origins of the New Deal	7
The Social Security Act of 1935.....	9
Drawbacks.....	11
The Post-War Reaction (1950s).....	12
At the Federal Level.....	12
At the State Level.....	14
The Great Society (1960s-1970s)	16
War on Poverty	16
Culture of Poverty.....	18
Welfare Rights Movement.....	19
The Courts.....	21
Federal Response to the Great Society	23
The New Economy	25
Reaganomics (1980s-1990s).....	26
The Circumstances.....	26
Literature from Critics	30
Federal Response to Reaganomics.....	32
Conclusion	33
Chapter 2: Welfare Reform.....	34
Introduction.....	34
Circumstances	35
Economic Inequality	35
Labor Market	37
State of Welfare	39
Political Attitude.....	40
Personal Responsibility & Work Opportunity Reconciliation Act of 1996	42

Legislative Findings and Purpose	42
New Requirements	44
Deficit Reduction Act of 2005	47
Focusing the Rules	47
Participation Rate	48
Effects of Welfare Legislation	49
Solving the Culture of Poverty	52
Closing Remarks	53
Chapter 3: Public Opinion	54
Introduction	54
Welfare as Perceived	55
What is Welfare?	55
Self-Reflection	58
Dislike for Welfare Program	59
Reaction to Welfare	62
Welfare Across Borders	62
What is Not Welfare?	63
Closing Remarks	65
Chapter 4: Policy Recommendations	67
Financing TANF	67
Coverage and Value	67
Supplemental Programs	69
Contingency Fund	70
PRWORA Requirements	72
Time Limit	72
Job Requirement	73
Fraud Prevention	76
Conclusion	78
Appendix A	80
Bibliography	87

Introduction

In January 2010, Coralie I. Cocepcion, a Rhode Island resident and mother of three, saw her government cash assistance of \$585 per month end, in the midst of a global financial meltdown and even though her economic situation remained as troubling as ever. She said she had to applied to over 200 jobs in the past year but had no success in finding one. Ms. Concepcion expressed her frustration: “It’s very difficult to find any job...I am competing against people with bachelors and masters degrees. I went to high school through the 10th grade”.¹

Ms. Concepcion is one of hundreds of thousands of individuals and families in the United States who have been affected by the Great Recession and are experiencing the thinness of social safety nets. The assistance she received was from Temporary Assistance for Needy Families (TANF), a welfare program funded by the federal and state government to provide financial aid to indigent families with dependent children. In 1996 TANF succeeded the Aid to Families with Dependent Children (AFDC) program as the nation’s main support for needy families, but in the process it fundamentally weakened the way government related to low-income communities. In the decades prior to the 1996 reform, AFDC was not seen as an act of charity but as plan for poverty reduction that was necessary for societal improvements. TANF changed the focus of this welfare program from helping those in need to preventing recipients from swindling the system. The reform was based on the conservative pillar that government assistance to the poor creates dependency and requirements limits. Severely reducing benefits with the creation of TANF was supposed to provide an incentive for low income families to leave welfare programs. Proponents

¹ Kimberly E. Kaplan, “In a Tough Economy, Old Limits on Welfare,” *The New York Times*, April 2010, http://www.nytimes.com/2010/04/11/us/11welfare.html?pagewanted=all&_r=0

of TANF argued that low-income communities were fully responsible for their fate and needed to change their immoral behavior to improve their circumstances.

However, seventeen years after the reform we have seen a worsening of the socioeconomic situation in the United States. Poverty has risen, inequality has widened, social mobility occurs at glacial pace, and TANF benefits are at their lowest rates. For most of the twentieth century, AFDC/TANF caseloads were directly related to poverty: an increase in poverty rates would cause the increase of the AFDC/TANF caseloads. But after the 1996 legislation, the relationship was decoupled and now the welfare caseload declines regardless of the number of people who need it. These trends were magnified by the global economic collapse in 2007. Families like Ms. Concepcion's do not need an incentive to leave poverty but rather an opportunity to do so. TANF has failed to provide such opportunities. Moreover, TANF has not met its advocates' promises for improving the lives of Americans yet many politicians and voters still argue that we need to continue down this path.

This thesis will analyze the history of AFDC/TANF, evaluate the recent reforms and take into consideration public opinion and political constraints to propose sensible changes to this welfare program that will improve its current decrepit state. The first chapter will analyze the history of AFDC/TANF from its inception in 1935 up to its reform in 1996. In this chapter, I will divide this broad swathe of U.S. history into four periods. In each, I will analyze the political, economic and cultural struggles to determine who is "worthy" of government aid and evaluate the legislative developments that occurred during each epoch. The second chapter will examine the welfare reform of 1996 and its reauthorization in 2005 as well as assess both of their effects on American society. I make it clear that continuing TANF under the current circumstance will only exasperate the decay of low income communities. Chapter 3 focuses on

the role of public opinion on the welfare debate and why TANF has received a negative reputation around the country. It will also convey how demographic factors such as income, party identification, race, and educational attainment affect public opinion of the program. Furthermore, I will use this chapter to examine what “welfare” means to the average American and how that has been framed by the history of welfare. Finally, in Chapter 4 I make policy recommendations on how to improve TANF to alleviate poverty in the United States. This proposal will take into account the political momentum that conservatives have on this field but also address the legislative analysis that has been conducted on the topic.

The purpose of this thesis is to examine the many shortcomings of the 1996 welfare reform and suggest recommendations that will address them and can serve to improve the way the United States addresses poverty domestically. Within this goal, the thesis will have to explain the cognitive dissonance that many Americans hold towards TANF: they wish to help the poor but disapprove of welfare programs that the poor need. Only by understanding the program’s past, recognizing its current problems, and identifying its political and electoral roots is it possible to improve the deplorable state of low-income communities in the United States.

Chapter 1: Historical Analysis of Welfare

The New Deal Era (1900s-1940)

The Origins of the New Deal

The origins of welfare in the United States can be traced back several centuries to religious organizations, poor laws, charities, and workhouses in Europe. Some of these institutions were present during the settlement of the thirteen colonies while others migrated across the Atlantic in subsequent decades. One of the most influential factors to American welfare from the European establishment was the Elizabethan Poor Laws. These laws went into effect in the early seventeenth century in England under the rule of Queen Elizabeth and were created to alleviate the poverty within the kingdom. Most importantly, they made a distinction between the “worthy poor” who included the “lame, impotent, old, blind, and such other among them being Poor, and not able to work” from the “unworthy poor” who were of meager means but of able body.² The poor laws were also “for setting to work all such persons, married or unmarried, having no Means to maintain them [their children]”.³ The principles of distinguishing between the categories of poor as well as the essential elements of labor found in the Elizabethan Poor Laws continue to be a central part of the welfare debate. With this in mind it is necessary to fast forward to the beginning of the twentieth century to better map the development of welfare policy in the United States.

Similar to their Elizabethan counterparts, American policymakers at the start of the 1900s had in their jurisdiction a significant portion of the population living in poverty. Records show

² Peter Higginbotham, “An Act for the Relief of the Poor,” The Workhouse, <http://www.workhouses.org.uk/poorlaws/1601act.shtml>

³ Ibid.

that from 1900 to 1930, 60 percent of Americans lived without sufficient access to food, shelter, clothing, and clean water.⁴ Small farmers and farmworkers in the rural parts of the country were often considered to be the face of poverty early in this period. However, as the country industrialized and urban centers expanded, single mothers would become particularly exposed to financial hardship due to the tens of thousands of work accidents that took the lives of men every year⁵ leaving them widows.⁶ While all low-income single women suffered economic hardship and withstood the appalling working conditions, African American women suffered greater adversity since racism hindered their employability. The issues plaguing poor single mothers caught national attention as they began unionizing and forming organizations such as the International Ladies Garment Workers Union and the National Association of Colored Women.⁷ Nevertheless, it was middle-class white female activists such as Jane Addams who had a voice in shaping policy regarding poverty among single women.

Historians have labeled the advocacy stemming from the previously mentioned groups as “maternalist.”⁸ This view has at its center the belief that a women’s place is at home being a mother and raising her children. Addams states that “the long hours of factory labor necessary for earning the support of a child leave no time for the tender care and caressing which may enrich the life of the most piteous baby.”⁹ Based on this view, maternalist advocates did not pressure the government to improve the circumstance of female workers or alleviate the plight of combining work and parenthood. Instead, they argued for a pension so mothers could exit the labor force and be reinstated in their rightful place: in the home caring for their children. Illinois

⁴ Premilla Nadasen, Jennifer Mittelstadt, and Marisa Chappell, *Welfare in the United States: A History with Documents 1935-1996* (New York: Routledge, 2009), 10.

⁵ This rate was three to five times higher than in Europe

⁶ Nadasen et al, 10.

⁷ Ibid 13.

⁸ Ibid.

⁹ Ibid

was the first state to pass a mother's pension law in 1911 and 36 states would follow it over a span of six years.¹⁰ Activists and politicians saw these gains as a legal recognition of the importance of women's domestic role in society and that the pensions were "salaries earned by mothers who serve the state in giving all their time to rearing good citizens."¹¹ Single mothers became part of the "worthy poor" and were able to legitimately receive financial assistance from the government. It is this redefinition of worth that would grant them a place during the New Deal reforms.

The Social Security Act of 1935

During his third year in office, President Franklin D. Roosevelt passed the Social Security Act on August 14th of 1935. The congressional election of 1934 had given FDR's Democratic Party greater control of both Congressional houses and assured the passing of the president's plan. The Act was meant to "provide for the general welfare... and by enabling the several States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare" as well as assist in the immediate relief of those suffering from the Great Depression.¹²

It was due to the political gains that women had made through mothers' pension laws that they were able to crystallize their ideals in the New Deal. The Aid for Dependent Children (ADC) program was created as a legislative equal to the Aid to the Blind and the Old Age Assistance Programs making single mothers exempt from the duty of wage earning, just as it did

¹⁰ Ibid 14.

¹¹ Ibid 15

¹² "The Social Security Act of 1935," United States Social Security Administration.
<http://www.ssa.gov/history/35act.html>

for senior and disabled citizens.¹³ Although FDR had called welfare a “narcotic” that was the “subtle destroyer of the human spirit” in his State of Union Address in 1935, it seems to only have been a political maneuver to gain support for an expansion of government projects.¹⁴ The president had already established his commitment to welfare earlier in the speech by declaring that laws from Congress should address: “security of livelihood, security against major hazardous and vicissitudes of life, and security of a decent home.”¹⁵ The Social Security Act and the creation of the ADC program contributed towards guaranteeing such safety.

ADC was to be the liaison between the government and needy children. The Act determined that a child would be considered “dependent” if he or she was under sixteen years of age and had been “deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent.”¹⁶ The new definition for dependent children and the inability for counties to drop out of the program (like they had with mother’s pension laws) created wider coverage for low income families. The program also expanded from covering widows to virtually all poor women who had no male breadwinners.

However, the legislative text conveying the financial structure of the program would prove to be troubling in the near future. For example, Congress committed itself in the Social Security Act to appropriate “for each fiscal year thereafter a sum sufficient to carry out the purposes of this title [ADC]” and thereby assuring that the program would be properly funded and adjusted to the need of the given year.¹⁷ However, it is the vagueness of the word “sufficient” that will assist members of Congress who were unfriendly to the program in

¹³ “The Social Security Act of 1935”

¹⁴ Franklin D Roosevelt, “Annual Message to Congress.” *The American Presidency Project*, <http://www.presidency.ucsb.edu/ws/index.php?pid=14890>

¹⁵ Roosevelt.

¹⁶ “The Social Security Act of 1935”

¹⁷ Ibid.

minimizing its size. Similarly, the fact that the states would only be reimbursed for one-third of the cost of the program allowed them to keep a great deal of discretion on the distribution of funds.¹⁸

Drawbacks

The Social Security Act is among the few pieces of legislation that is still active as of the time of this writing. Although amendments have been made, it is considered to be one of the most successful legacies of the New Deal. Nevertheless, the Act did have some shortcomings and exasperated particular issues of the time. When creating the ADC program, the law states that only children will be considered for the calculation of the grants and their caretakers needed to find their own method of survival.¹⁹ This measure was paradoxical since the purpose of the program was for single mothers not to abandon their homes in search of income yet it did not account for them when dispensing financial assistance.

States were also reimbursed for their ADC expenditure at a much lower rate than unemployment insurance as well as aid provided to the blind and elderly. This system reflected the belief that ADC was equal to the other programs when it came to written legislation, but society was not accepting of its beneficiaries. The program became particularly stigmatized when Congress passed an amendment to the Social Security Act on 1939. The change was motivated by hopes of administrative efficiency that had been recommended by the President's Committee on Economic Security on 1935 but was not implemented at the time.²⁰ This amendment syphoned off widows from ADC and placed them under the Old-Age and Survivors

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ "CES Report to the President," *United States Social Security Administration*.
<http://www.ssa.gov/history/reports/ces.html>

Insurance. The restructuring left mainly divorced, deserted and never married women in ADC, all which were looked down upon by society (opinions about these groups will be discussed in greater detail in Chapter 3). At this point, the Social Security Act preserved a “two-channel” system of government assistance: one provided generous and respectable financial aid to white male workers while the other was a stigmatized program that provided assistance to an undesirable type of needy Americans.²¹ Rather than expanding the program to cover African Americans or agricultural workers who were excluded from the original version of the Social Security Act, Congress’ alteration to ADC created a program that was an easy target for criticism due to the contempt citizens felt towards its recipients.

The Post-War Reaction (1950s)

At the Federal Level

As World War II came to an end in 1945 Congress began to refocus its attention on domestic issues. Nevertheless, the war years and the need for female labor by the defense industry had left its mark. While politicians and the public condemned women leaving their child rearing and home keeping duties for a professional job, policymakers expanded public child care services (first locally and then at a national level) to provide children with a safe space during their mother’s work shift.²² The wages were often below subsistence but were an improvement from nothing.

At the same time, when the war ended to 1950 the number of families that were ADC recipients had doubled but the median time spent in the program (2.1 years) stayed virtually the

²¹ Nadasen et al, 18.

²² Sonya Michel, “The History of Child Care in the U.S.” *The Social Welfare History Project*, <http://www.socialwelfarehistory.com/programs/child-care-the-american-history/>

same.²³ Although women still had a restricted role in society, households headed by women went from 2.5 million in 1940 to 4.4 million in 1960.²⁴ This national trend was caused by a combination a high death rate among males from combat abroad (World War II, Korean War, and Vietnam War), high desertion rates by males, and relatively better possibilities for women to survive without a husband (through government aid and participation in the paid labor force).²⁵ Furthermore, African Americans who had historically been denied access to social safety nets, began entering some programs but would often obtain a fraction of what their white counterparts received (an amount already below subsistence levels).²⁶ As the 1950s came to a close, ADC was becoming the largest and most costly federal public assistance program primarily because of the demographic changes and social acceptance discussed above.

In attempt to slow down the growth of welfare, conservative members of Congress used strong anticommunist rhetoric claiming that social policies were of Marxian origin. However, the expansion of the program was necessary due to the previously noted social changes as well as a countercyclical economic measure during the 1948, 1953 and 1957 recessions in the United States.²⁷ Moreover, ADC opponents in Congress seemed to believe that not all welfare was created equal: legislation to expand government financial assistance to returning veterans easily passed Congress while single mothers enrolled in ADC were held in their contempt. Welfare opponents created a disjointed argument in which government assistance given to single mothers

²³ Robert H. Mugge, "Aid to Families With Dependent Children: Initial Findings of the 1961 Report on the Characteristics of Recipients," *United States Social Security Administration*, March 1963, <http://www.ssa.gov/policy/docs/ssb/v26n3/v26n3p3.pdf>

²⁴ Nadasen et al, 14.

²⁵ Susan W. Blank and Barbara B. Blum, "A Brief History of Work Expectation for Welfare Mothers," *Welfare to Work* 7, no. 1 (Spring 1997): 30. http://www.princeton.edu/futureofchildren/publications/docs/07_01_02.pdf

²⁶ Nadasen et al, 25.

²⁷ "US Business Cycle Expansion and Contractions," *National Bureau of Economic Research*. September 20, 2010. <http://www.nber.org/cycles/cyclesmain.html>

in ADC would lead to communism yet equally generous aid could be disbursed to military personnel without repercussion.

After much debate since the end of the war, there was a greater consensus in Congress about government assistance to low-income communities. The rhetoric in Washington changed from helping the needy to allowing government to rehabilitate the poor from their “social disabilities” (such as being immature and having a dependent personality) that inhibited their full potential.²⁸ This modification in the welfare argument partially shifted the locus of responsibility for poverty away from the individual and into societal and biological agents, thereby justifying government intervention. This change in rationalization helped pass a provision in 1950 to count children’s caretakers when calculating the aid allocated to families. By 1952, policymakers decided to make the qualification for ADC assistance less restrictive and agreed to pay for a wider percentage of the total cost of welfare.²⁹ President Eisenhower created the Department Health, Education, and Welfare (HEW) a year later as a way to consolidate the power of several government agencies as well as give these vital issues a primary position in the presidential cabinet. Nevertheless, the change in rhetoric also began shifting the focus of ADC from assisting children to rehabilitating mothers. This change in beliefs would solidify into policy by amending the Social Security Act in 1956 to state that the purpose of ADC was to “improve family life.”³⁰

At the State Level

While the federal government was implementing laws to make sure that the needy receive proper assistance, many state legislatures were attempting to restrict such aide. The national ADC caseload increased overall but the growth and quality of benefits varied among

²⁸ Nadasen et al, 33.

²⁹ Ibid.

³⁰ Ibid 34.

regions. The South and Midwest regions had some of the strictest rules but many Western and Northeastern states were in certain respects not far behind.

Individual states would often underfund welfare programs in order to make an increasing number of recipients survive with far fewer resources. In 1950, California provided ADC recipients with over four times more cash assistance than Alabama (\$28.40 versus \$6.54 respectively).³¹ Underfunding would also occur indirectly as the value of ADC's financial assistance was eroded by inflation. This was the case for Florida when it did not change the state's monetary allocation to ADC from 1951 to 1963, allowing for benefits to devalue by almost 20 percent. Other states preferred to attach draconian conditions to their welfare assistance. In 1952, Georgia's welfare board decided that public administrators could force women to work in accordance with the "habits and customs prevalent in the community" to receive their welfare assistance.³² Many states quickly copied this policy causing places like Tallulah, Mississippi to make girls as young as six collect 100 to 200 pounds of cotton a day.³³

One of the most exclusionary tactics used to limit the benefits of potential ADC recipients were "suitable home" laws (also known as the "man-in-the-house" rules). This state legislation had different meanings depending on its jurisdiction. For example, Arkansas would terminate financial assistance to any mother who was engaging in a "non-stable, non-legal union" while Michigan would not permit any "male boarders" in the house of the recipient.³⁴ These states argued that both of these practices would make the home unsuitable for children. Caseworkers would use intrusive tactics such as questioning neighbors and "midnight raids" to

³¹ Ellen J. Perkins, "Old-Age Assistance and Aid to Dependent Children," *United States Social Security Administration*. November 1951. <http://www.ssa.gov/policy/docs/ssb/v14n11/v14n11p11.pdf>

³² Nadasen et al, 28.

³³ Ibid.

³⁴ Ibid 29.

discover if recipients were violating the rules and would often rescind assistance without concrete evidence. After almost decade this maltreatment of ADC participants by localities and states, HEW declared unlawful for the state to declare a home “unsuitable” for children to receive welfare assistance yet suitable enough for them to live there.³⁵ While this was an important triumph for the rights of welfare recipients, it started to show the conflict that existed between politicians in Washington and regional governments.

The Great Society (1960s-1970s)

War on Poverty

The momentum created by President Eisenhower to improve the nation’s welfare system was revitalized with the election of John F. Kennedy and transferred to Lyndon B. Johnson when Kennedy was assassinated. During Johnson’s State of the Union Address in 1964, he urged his colleagues to “let this session of Congress be known...as the session that declared an all-out war on human poverty and unemployment.”³⁶ This speech would start a legislative revolution for American society as it fought an “unconditional war on poverty.”³⁷ The Johnson administration argued that “very often the lack of job and money was not the cause of poverty but its symptom” and that it was possible to eliminate such necessity through a comprehensive system of government programs that would allow people a “fair chance to develop their own capacities.”³⁸ President Johnson’s vision to “build the Great Society...where no child will go unfed, and no youngster will go unschooled...[and] where no man who wants work will fail to find it” was

³⁵ Ibid 30.

³⁶ Lyndon B. Johnson, “Annual Message to the Congress on the State of the Union,” *The American Presidency Project*, <http://www.presidency.ucsb.edu/ws/index.php?pid=26787>

³⁷ Ibid.

³⁸ Ibid.

largely influenced by FDR's policies.³⁹ As a Democrat from Texas, Johnson was elected to serve in the House of Representative from 1937-1949 with a New Deal platform and its essence can be seen in the Johnson plans. If the New Deal had being successful in ending the misery caused by the Great Depression similar policies could surely have positive effects during prosperous times.

The rhetoric used during his State of Union quickly materialized into what a conservative author called a "legislative blitzkrieg."⁴⁰ A year after of taking office, the Civil Rights Act of 1964 was passed and was followed a year later by the Voting Rights Act of 1965, both of which were quintessential towards enforcing equality under the law for minorities, but faced heavy opposition from Republicans and conservative Democrats (many of whom would secede the Democratic Party and become Dixiecrats). While the Civil Rights movement created strong domestic pressure for these policies to be accepted, the United States also faced international embarrassment due to Cold War politics. The United States seemed hypocritical when promoting freedom (and anti-communism) abroad but pictures and videos circulated the globe of Civil Rights activists being repressed by local police and the National Guard.

Programs such as Medicare, Medicaid, and Food Stamps also had their origin in this administration. There was also an emphasis on improving the implementation of older initiatives through legislation such as the Fair Housing Act of 1968, which prevented discrimination in the sale and rental of housing based on race, gender, or religion. This was done after previous attempts had failed to guarantee such equality. At the same time, the creation of the Office of Economic Opportunity—whose slogan was "a hand up, not a hand out"—allowed for the coordination of job training programs to give people the skills needed to find a job. It was the

³⁹ Lyndon B. Johnson, "Remarks in Athens at Ohio University," *The American Presidency Project*. <http://www.presidency.ucsb.edu/ws/?pid=26225>

⁴⁰ Charles Murray, *Losing Ground* (New York: Basic Books, 1984), 24.

combination of strong government support for the needy and a growing economy that was able to dramatically decrease the level of poverty in the United States. The revival of the New Deal spirit as well as the pressure from domestic and international sources allowed this legislative agenda to move forward.

Culture of Poverty

As Congress passed legislation guaranteeing all citizens equal treatment under the law, the number of ADC recipients began to swell. Individuals who had previously been unjustly excluded from receiving benefits due to government regulations or personal misinformation joined the system. ADC's caseload increased from 3.1 million in 1961 to 10.8 million in 1974 as new legislation came into effect.⁴¹ Critics of welfare saw its growth as a sign of moral decay and unwillingness of the poor to work for a living. Senator Robert Byrd of West Virginia conducted a study of Washington DC's welfare system and claimed that two-thirds of welfare recipients were cheating the system.⁴² Although the results received much media attention, it was plagued by unscientific procedures and methodological flaws.⁴³ In reality, welfare fraud was between 1-3 percent, a relatively low rate when compared to other programs such as Social Security and disability insurance at the time.⁴⁴

Following the attempt of Senator Robert Byrd to scientifically delegitimize welfare recipients, anthropologist Oscar Lewis claimed the permanency of poverty could be attributed to familial and cultural characteristics of specific communities. Lewis' investigation of the poor in

⁴¹ ⁴¹ Nadasen et al, 34.

⁴² Robert C. Byrd, "Problems in the District of Columbia," *Byrd's Eye View: A Public Service Column*, May 1965. http://www.byrdcenter.org/newsletters_index_byyear.cfm?NewsItem=1814&y=1965

⁴³ Nadasen et al, 26-27.

⁴⁴ *Ibid* 26.

Mexico and Puerto Rico suggested that there was a “culture of poverty” composed of “lack of work ethic, resignation, dependence, lack of impulse control, and the inability to delay gratification among others.”⁴⁵ He concluded that as long as individuals dwelled in that culture, welfare would be inadequate and potentially harmful.

Johnson’s Assistant Secretary of Labor Daniel Moynihan further sorted and developed Lewis’ ideas in a report to the president where he claimed that decades of slavery and segregation had left the black community with a weak family structure and an inability to support themselves.⁴⁶ Moynihan’s report stirred controversy as its condemnation of female-headed households was positively cited by Civil Right activists such as Bayard Rustin, Martin Luther King Jr. and Whitney Young, but also criticized by other activists such as the NAACP for “blaming the victims” for their situation.⁴⁷ While there was a plurality of causes for poverty among African Americans, it was a fact that they were only eleven percent of the general population but composed over 45 percent of AFDC cases.⁴⁸ These academic reports served to bolster the argument of welfare opponents by turning ideology into scientific fact.

Welfare Rights Movement

The Welfare Rights Movement had a grassroots strategy that attempted to counter the culture of poverty argument. The movement was spearheaded by the National Welfare Rights Organization (NWRO) and supported by smaller local groups as well as other national

⁴⁵ Nadasen et al, 44.

⁴⁶ Daniel Moynihan, “The Negro Family: A Case for National Action,” *United States Department of Labor*. March 1965. <http://www.dol.gov/oasam/programs/history/webid-meynihan.htm>

⁴⁷ Nadasen et al, 49.

⁴⁸ Lucy A. Williams, “Decades of Distortion: The Right’s 30-Year Assault on Welfare,” *Political Research Associates*. December 1997. <http://www.politicalresearch.org/wp-content/uploads/downloads/2012/12/Decades-of-Distortion.pdf>

organizations such as the United Farm Workers Organizing Committee led by Cesar Chavez.⁴⁹ In particular, the NWRO had strong backing from female African Americans and worked with community legal-aid offices to achieve its goals (More to be discussed in the next section).⁵⁰ While the Civil Rights Movement served as a valuable ally in the beginning of the Welfare Rights Movement, the relationship quickly deteriorated as Civil Rights leaders began denouncing the welfare system as a “total pattern of economic exploitation” that “contributed to the breakdown of family life.”⁵¹⁵² On the other hand, some libertarian economists like Milton Friedman were willing to support financial assistance from the government if it came as a guaranteed income claim that gave individuals the ability to purchase what they wish in the free market.⁵³ ⁵⁴ The new system that Friedman called for would allow government to reduce its influence on people’s life decisions as well as decrease the overhead spending necessary to run complex programs such as the Job Corp. However, such proposals ran counter to the rehabilitation mentality of the time.

Welfare advocates found a partial partner among feminists due to their commitment to women’s economic liberation. Johnnie Tillmon, one of the nation’s most prominent feminist leaders, stated the following about the restrictive nature of family welfare programs:

“Welfare is like a super-sexist marriage. You trade in a man for the man. But you can’t divorce him if he treats you bad. He can divorce you, of course, cut you off at any time he wants. But in that case, he keeps the kids, not you...In an ordinary marriage the sex is supposed to be for your husband. On AFDC [Aid to Families with Dependent Children (footnote: change in ADC’s name is explained in the

⁴⁹ Felicia Kornbluh, *The Battle for Welfare Rights: Politics and Poverty in Modern America* (Philadelphia: University of Pennsylvania Press, 2007), 169.

⁵⁰ Kazuyo Tsuchiya, “National Welfare Rights Organization (1966-1975),” <http://www.blackpast.org/?q=aah/national-welfare-rights-organization-1966-1975>

⁵¹ Nadasen et al, 46.

⁵² This quote is attributed to Rev. Martin Luther King Jr.

⁵³ Nadasen et al, 55.

⁵⁴ Guaranteed income policies will assure that every member in a society would not fall below a predetermined level of income.

“Federal Response” section)], you’re not supposed to have any sex at all. Welfare controls your money. He tells you what to buy, what not to buy, where to buy it, and how much things cost.”⁵⁵

However, it was quickly revealed that the agenda of the feminist movement varied by social class. For example, middle-class feminists were supportive of having strict child support laws in order to maintain their standard of living after divorce, but poorer feminists disagree since often their husbands were abusive and would not have the money to pay child support anyway.⁵⁶ Nevertheless, as single-mother households increased from 36 to 56 percent of all poor households between the 1970s and 1980s, the feminist and welfare movements became a natural match.⁵⁷

The Courts

Much like the Civil Rights movement, the Welfare Rights movement used the courts to improve the situation of citizens and make progress towards their goals. In particular, three Supreme Court rulings determined that AFDC benefits were not charity but legally entitled benefits. The poor no longer had to trade their civil rights for a welfare check. In *King v. Smith* (1968) the United States Supreme Court unanimously decided that the “man-in-the-house” rules violated the Social Security Act since they defined “parent” in a way that was inconsistent with the Act.⁵⁸ This decision granted AFDC recipients a certain level of personal and sexual privacy. It also reasserted Congress’s legislative decision that “immorality and illegitimacy should be

⁵⁵ Johnnie Tillmon, “Welfare is a Women’s Issue,” *Ms. Magazine*. Spring 2002. <http://www.msmagazine.com/spring2002/tillmon.asp>

⁵⁶ Nadasen et al, 59.

⁵⁷ Ibid

⁵⁸ *King v. Smith*, 392 U.S. 306 (1968). <http://supreme.justia.com/cases/federal/us/392/309/>

dealt with through rehabilitative measures, rather than measures punishing dependent children.”⁵⁹

Similarly, *Shapiro v. Thompson* (1969) prohibited limiting people’s movement across states on the basis that they would receive higher welfare benefits in their new residence.⁶⁰ Such restriction had been particularly effective in limiting migration of African Americans from Southern to Northern states. At the turn of the twentieth century 90 percent of African Americans lived in the South and three-fourths lived in rural areas. However, from 1910 to 1960 the population of African Americans in Northern states more than tripled and was heavily concentrated in urban areas.⁶¹ The Supreme Court believed that states refusing AFDC benefits to new residents were in violation of the “fundamental right of interstate movement” as guaranteed by the Constitution.⁶²

During *Goldberg v. Kelly* (1970) the Supreme Court decided that a “fair hearing” needed to occur if welfare benefits were going to be rescinded from an individual or family.⁶³ This decision took as a premise that AFDC benefits were “not mere charity, but means to ‘promote the general welfare, and secure the Blessing of Liberty to ourselves and our Posterity.’”⁶⁴ The court conceded that certain public programs could end administratively without a hearing but withdrawal of AFDC benefits would “condemn [the recipient] to suffer

⁵⁹ Ibid.

⁶⁰ *Shapiro v Thompson*, 394 U.S. 618 (1969). <http://supreme.justia.com/cases/federal/us/394/618/>

⁶¹ “African-American Mosaic,” *Library of Congress*. July 23, 2010. <http://www.loc.gov/exhibits/african/afam008.html>

⁶² *Shapiro v Thompson*, 394 U.S. 618 (1969). <http://supreme.justia.com/cases/federal/us/394/618/>

⁶³ *Goldberg v. Kelly*, 97 U.S. 254 (1970). <http://supreme.justia.com/cases/federal/us/397/254/case.html>

⁶⁴ Ibid.

grievous loss” therefore the benefit must be protected by the Due Process Clause of the Fourteenth Amendment.⁶⁵

These three court cases were instrumental in transforming nineteenth century charity into twentieth century social safety nets. They strengthened the societal duties between citizens and prevented the poor from being at the mercy of the wealthy and fickle minded politicians. Nevertheless, these three court decision would be severely diluted or overturned with the welfare reform of 1996.

Federal Response to the Great Society

The ideological clash in the streets, courts and Congress during the 1960s caused welfare legislation to be updated and amended. During the few years that Kennedy was president, he was able to pass the Aid for Dependent Children-Unemployed Parent (ADC-UP) provision in 1961 and the Public Welfare Amendment in 1962. The former created a jobs program that required men who did not qualify for unemployment insurance to attend a job training program to receive their welfare benefits and increase their probabilities of re-entering the labor force. The latter was an amendment that expanded ADC-UP to include women in its job programs as well as change the name of ADC to Aid to Families with Dependent Children (AFDC).⁶⁶

Academic criticism of welfare such as the one presented by Byrd and Lewis had some of the most influential effects in constricting access to government assistance towards the end of the Johnson administration. In 1967, Congress passed an amendment to the Social Security Act to establish a “health and decency” standard as well as a maternal work requirement. This change created the Work Incentives Program (WIN) as a way to enforce the work requirement on

⁶⁵ Ibid.

⁶⁶ Nadasen et al, 35.

mothers receiving AFDC assistance⁶⁷. The amendment also created a “freeze” on benefits for children born to unwed mothers or deserting fathers. However, this initiative provoked an outrage among constituents (led by welfare and religious organizations) and it was repealed within two years of its passing.⁶⁸

The criticism of the United States welfare system continued through the Nixon administration. When President Richard Nixon came into office in 1969, he proposed a new welfare system to Congress called the Family Assistance Plan. It would serve as a plan to guarantee income for recipients but would be limited to two-parent families, therefore excluding the majority of AFDC beneficiaries at the time who were predominately single mothers (many of which were African American).⁶⁹ However, the plan never came to fruition due to the strong opposition from grassroots movements. In 1971, the Talmadge Amendment was passed to toughen the AFDC work requirements for recipients who had school aged children.⁷⁰ Although it was not as restrictive as many AFDC critics wanted, it was step in this direction. During his term, President Jimmy Carter also presented a plan to change the name of AFDC to Program for Better Jobs and Income. Unlike Nixon, Carter was willing to provide government assistance to single-mothers, but they would be considered part of a “second tier” that would receive only some of the benefits of a two-parent family. The Program for Better Jobs and Income failed to receive approval from the electorate or Congress was also never implemented.

⁶⁷ Ibid 43.

⁶⁸ Ibid.

⁶⁹ Ibid 54.

⁷⁰ Ibid 56.

The New Economy

The economic changes during the 1970s built the foundation which would “end welfare as we have come know it.”⁷¹ The decade was plagued by the Oil Crises of 1973 and 1979 as the Organization of Petroleum Exporting Countries (OPEC) embargoed the United States. This caused a shortage of gasoline as well as high levels of inflation since the increase in the price of fuel used during the production of goods and services was being transferred to consumers. An economic recession quickly followed both crises and unemployment reached its highest point since the Great Depression.⁷² Although legislators did create nominal increases to the value of AFDC benefits, they were not enough to prevent inflationary erosion. By the mid-1980s, the value of AFDC benefits decreased by 40 percent and the combination of AFDC and food stamps no longer lifted people out of poverty in any state.⁷³ The nominal increase in AFDC assistance concealed the real financial decline, especially in front of critics.⁷⁴

{FIGURE I: AFDC MONTHLY BENEFITS PER FAMILY}

The 1970s also saw a shift in the United States’ economy from a manufacturing-base to a service-base. Many of the manufacturing positions that gave individuals with basic education the opportunity to have a family-sustaining salary began to go abroad as companies pursued lower costs of production.⁷⁵ At the same time, factories that remained in the country turned to

⁷¹ William Clinton, “The New Covenant: Responsibility and Rebuilding the American Community,” *Democratic Leadership Council*. October 23, 1991.

http://www.dlc.org/ndol_ci4c81.html?kaid=127&subid=173&contentid=2783

⁷² Janet Morrison, “The Impact of Oil in World Trade.” 2006. <http://www.palgrave.com/business/morrisongbe3/students/casestudies/14%20The%20impact%20of%20oil%20in%20world%20trade.pdf>

⁷³ Nadasen et al, 62.

⁷⁴ “2008 Indicator of Welfare Dependence.” *United States Department of Health and Human Services*. 2008. <http://aspe.hhs.gov/hsp/indicators08/apa.shtml#ftanf2>

⁷⁵ Michael F. Corbett, “The Outsourcing Revolution.” *getAbstract*. 2004. http://www.economist.com/media/globalexecutive/outsourcing_revolution_e_02.pdf

automatic production as another way to reduce costs.⁷⁶ This period of deindustrialization was exasperated by the Oil Crises that raised expenditure on many firms within the country and incentivize companies to reduce cost elsewhere.⁷⁷ American cities were particularly devastated by this economic phenomenon. Low-income urban residents became unemployed as factories left cities and did not have the resources to relocate where employment was higher or invest on their human capital. Recipients found it difficult to comply with the work requirement established by new welfare legislation due to the structural unemployment inherent in the economy: There were too many people seeking too few jobs (Chapter 2 will elaborate on the labor market shift).

Reaganomics (1980s-1990s)

The Circumstances

The plans to construct a Great Society began losing support as the 1970s came to a close with a troubled economy. Citizens questioned whether the government's investment on the War on Poverty was going to end in a victory. Although AFDC rolls had remained stable at around 10 million recipients (approximately 4 percent of the population) throughout the 1970s and 1980s, conservatives wondered why the numbers were not decreasing.⁷⁸ Pundits posited that recipients were complacent (due to the culture of poverty) and were not willing to improve their situation. However, studies showed that daughters of AFDC recipients were not more likely to be part of

⁷⁶ Richard Deitz and James Orr, "A leaner, More Skilled US Manufacturing Workforce," March 2006. http://www.newyorkfed.org/research/current_issues/ci12-2.pdf

⁷⁷ Lawrence, Timothy T., "A Reassessment of Deindustrialization and the Case of Atlantic Steel" (2013).History Theses.Paper 69.

⁷⁸ Nadasen et al, 74.

the program than those who came from non-AFDC families.⁷⁹⁸⁰ Welfare was also blame for discouraging work and thereby harming the economy

Critics were also quick to judge the supposed sexual deviance that stereotyped AFDC recipients. Moral decay was worrisome since the divorce rate had tripled from 1960 to 1980.⁸¹ By 1990, 30% of all children were born to unmarried mothers. However, the increase of this percentage was due to the lowering in the fertility rate of married mothers rather than an increase of wedlock babies. Welfare opponents groundlessly attacked young women for their supposed sexual promiscuity even though teenage pregnancy had greatly decreased since peaking in the 1950s and 1960s.⁸²

{FIGURE II: BIRTH RATES FOR WOMEN AGES 15-19 FROM 1940-2010}

Similarly, AFDC also saw its recipients' average family size shrink in accordance with the national trend.⁸³ While one claim was that AFDC mothers were having more children to swindle the government, such claims do not match the data of the time. Nevertheless, this did not stop attacks on the welfare system from politicians and conservative pundits.

One of the most damning accusations towards welfare was that it discouraged work among the poor and thereby harmed the economy. After all, critics claimed, who would search for a job if they can be paid without working? However, international research done of twenty OECD member countries found no evidence to conclude that welfare benefits obstruct economic

⁷⁹ Ibid.

⁸⁰ The study looks into AFDC's effect on daughters rather than sons because most recipients were single mothers, therefore the question rises whether the parent will serve as a gender role model for their child

⁸¹ Nadasen et al, 73.

⁸² Brady E. Hamilton and Stephanie J. Venture. "Birth Rates for U.S. Teenagers Reach Historic Lows for All Ages and Ethnic Groups," *Center for Disease Control*. April 2012. <http://www.cdc.gov/nchs/data/databriefs/db89.pdf>

⁸³ "2008 Indicator of Welfare Dependence."

growth.⁸⁴ The National Institute of Health (NIH) has conducted similar research and concluded that unsupportive welfare programs can lead to substantially lower income levels among former recipients.⁸⁵ Higher incomes for individuals that exited the program are desired so they can be active consumers in their local markets and stimulate the economy in their vicinity.

“America’s Right Turn”

Ronald Reagan would set the tone for his presidency and the 1980s during his 1981 inauguration speech: “government is not the solution; government is the problem.” Although government spending increased every fiscal year of the Reagan administration, Republican politicians insisted that government was a shrinking entity.⁸⁶ Neither Republicans nor Democrats were willing to show much support for AFDC or welfare programs in general as political conservatism took hold of the national stage. The Democratic Party which had created and developed welfare in the United States, began to retreat from its historical position. As racial discrimination for access to AFDC began to decrease in the late 1960s, many critics believed that African Americans were taking advantage of the system due to their overrepresentation within its roll. (The graph below shows that Blacks have almost as many AFDC cases as Whites although they make up a smaller part of the population). Democrats feared losing white voters by supporting a stigmatized program and began to disassociate from it. This resulted in many Democrats sponsoring or voting for legislation to limit AFDC.⁸⁷

⁸⁴ Ronald Schettkat, “Institutions in the Economic Fitness Landscape: What Impact Do Welfare State Institutions Have on Economic Performance,” *Institute for the Study of Labor*. January 2003

⁸⁵ Taryn Lindhorst and Ronald J. Mancoske, “The Social and Economic Impact of Sanctions and Time Limits on Recipients of Temporary Assistance to Needy Families.” *Journal of Sociology & Social Welfare* 33, no.1 (March 2006): 9.

⁸⁶ Executive Office of the President of the United States, Office of Management and Budget. *Fiscal Year 2013: Historical Tables Budget of the U.S. Government*. Washington, D.C.: U.S. United States Government Printing Press. 2013

⁸⁷ *Omnibus Budget Reconciliation Act, 1981*, Pub. L. No. 97-5, 97th Congress, August 13, 1981. Govtrack.us

{FIGURE III: NUMBER OF AFDC/TANF FAMILIES BY RACE}

One of Reagan's most powerful attacks against AFDC came from his construction of the "Welfare Queen." While on the campaign trail in 1976, Reagan was often caught telling a story of "a woman in Chicago" that has "80 names, 30 addresses, 12 social security cards and is collecting veteran benefits on four non-existing deceased husbands."⁸⁸ He continued by saying that aside from "collecting Social Security on her card. She's got Medicaid, getting food stamps, and she is collecting welfare under each of her names. Her tax-free cash income alone is over \$150,000."⁸⁹ At other times, Reagan would tell his crowd about Taino Towers, a subsidized housing project in New York City, where people could rent "an apartment with an 11-foot ceiling, with a 20-foot balcony, a swimming pool and gymnasium, laundry room and play room" for \$113.40.⁹⁰ These stories resonated with his audience and supported the stereotypes surrounding welfare recipients since the program's inception. Many listeners were enraged at the luxurious life of Welfare Queens and at how easy it was to swindle the government. Further accusations were made by the media such as *Reader's Digest* which in 1980 reported that "a significant proportion of tax funds spent on welfare is consumed by fraud, waste, and abuse" but cited no empirical evidence to support this.⁹¹

Later investigations by journalists and welfare authorities in Illinois discovered that Reagan's description of "a woman in Chicago" was of Linda Taylor, but the then-presidential candidate had largely exaggerated the story. *The New York Times* reported that she had used two

⁸⁸ "Welfare Queen Becomes Issue in Reagan Campaign," *The Washington Star*. February 15, 1976. <http://picofarad.info/misc/welfarequeen.pdf>

⁸⁹ Ibid

⁹⁰ Ibid

⁹¹ Nadasen et al, 69.

aliases to collect \$8,000 of welfare benefits (rather than 80 aliases for \$150,000).⁹² Similarly, Taino Towers was a much humbler housing project than Reagan described. Only 92 of the 656 apartments had an 11-foot ceiling (only over the kitchen and living room) and were reserved for larger families.⁹³⁹⁴ In addition, rent was \$415 and all amenities had to be shared with 200,000 individuals in the community.⁹⁵

Literature from Critics

In 1984, conservative author Charles Murray published Losing Ground as a proposal to eliminate welfare assistance. Afterwards, one of his colleagues, Lawrence Mead, responded with Beyond Entitlement, a book where he called for a significant reform of the welfare system rather than its dissolution. Murray's criticism of the system stemmed from the belief that policies had made it "profitable for the poor to behave in the short term in ways that were destructive in the long term" where the government "tried to remove the barriers to escape poverty, and inadvertently built a trap."⁹⁶ On the other hand, Mead argued that welfare should be used as an incentive to make the poor work since "employment must become a duty, enforced by public authority."⁹⁷ The writings of both of these authors represent the theoretical framework on which the welfare reform of 1996 would be based.

However, many of the central conclusions by both authors are improperly drawn. Murray's deductions extend from a hypothetical where the biological parents of a child decide whether they want get married and/or find a job based on the incentives given by AFDC and

⁹² "Welfare Queen Becomes Issue in Reagan Campaign"

⁹³ Ibid

⁹⁴ Failure to have high ceiling would result in wasted corridor space.

⁹⁵ "Welfare Queen Becomes Issue in Reagan Campaign"

⁹⁶ Murray 9.

⁹⁷ Nadasen et al, 71.

other welfare programs. Critics have pointed out that the calculations are based on exaggerated welfare benefits that do not match their true value.⁹⁸ At the same time, Murray claimed that the increase in value of AFDC assistance was the culprit for the increase in wedlock births during the 1970s, but noted earlier, welfare benefits decreased in real value due to inflation in that decade and could not have served as a motivator for out-of-wedlock births. Murray also argued that ADC strayed from its original purpose of assisting widows to care for their children, but as seen in the original text of the Social Security Act of 1935, the program was created to assist many categories of dependent children.⁹⁹

Mead followed a similar set of unwarranted assumptions to conclude that welfare benefits should be used as a tool to reform the poor morally. He argued that AFDC could serve as an incentive to prevent the rate of separation and divorce among the poor as well as instill in them a strong work ethic. However, a report from Reagan's General Accounting Office in 1987 clearly concluded that "research does not support the view that welfare encourages two-parent family break up."¹⁰⁰ A report by the Department of Health and Human Services established that approximately three in every four AFDC recipients were in the system for less than five years, and almost 20% were there less six months, thus decoupling the idea that welfare payments automatically create dependency and a disincentive to work.¹⁰¹ Nevertheless, Murray's and Mead's ideas had further eroded people's confidence on the welfare system and evoked a strong reaction from the government.

{FIGURE IV: TOTAL TIME IN AFDC 1979-1994}

⁹⁸ Ibid 70

⁹⁹ "The Social Security Act of 1935"

¹⁰⁰ General Accounting Office. "Poverty and Welfare: The GAO Report." United States General Accounting Office (1987)

¹⁰¹ Michele Adler, "Health and Disability Status of AFDC Families," *U.S. Department of Health and Human Services*. 1988. <http://aspe.hhs.gov/daltcp/reports/afdc.htm>

Federal Response to Reaganomics

President Reagan's first provision to weaken the welfare system was the signing of the Omnibus Budget Reconciliation Act of 1981, as passed by a Democratic Congress. The Act reduced aid to low-income Americans from 14 percent of federal spending in 1978 to under 12 percent by 1988.¹⁰² This nominal decrease further exacerbates the loss in value of AFDC benefits during the 1970s. Reagan made a more direct impact on the system through the Family Support Act of 1988. The three main pillars of the Act were the requirement for all recipients with children over the age of three to enter the labor force, the replacement of the Work Incentives Program (WIN) with Job Opportunities and Basic Skills (JOBS) program, and the increase in state discretion.¹⁰³

The JOBS initiative along with other educational programs was poorly funded by Congress and produced humble results when it came to job placement. On the other hand, many states started creating new ways to restrict and reduce the benefits of AFDC recipients. For example, provisions such as "Learnfare" reduced a family's AFDC grant if a child missed a certain number of school days while "Family Cap" reduced the grant if a woman bore a child when receiving government assistance.¹⁰⁴ The Family Support Act of 1988 and the state legislature that followed continued to treat AFDC recipients as guilty of immoral behavior that had placed them in their current position. This legislation was founded on the belief that harshness is needed to create moral rectitude.

¹⁰² Nadasen et al, 67.

¹⁰³ Nadasen et al, 67.

¹⁰⁴ Ibid 78.

Conclusion

This chapter has analyzed some of the essential influences and turning points of welfare policy in the United States. Since its inception with the Social Security Act of 1935, AFDC has attempted to include single mothers as part of the “worthy poor.” However, its recipients have always been stereotyped as swindlers and morally corrupt individuals, characteristics that Reagan eventually consolidated in the “Welfare Queen.” Although many gains were made during the Johnson’s War on Poverty, they were contingent on economic prosperity. With the financial instability of the 1970s, AFDC became a superfluous program assisting “unworthy” citizens. Strong claims were made against the program by conservative opponents, but few (if any) accurately described its complex nature. Nevertheless, these fallacious claims had the most impact in amending welfare.

Almost 400 years after the passing of Elizabethan Poor Laws, policymakers, think tanks and academics in the United States attempt to keep the supposed unworthy poor from draining the government’s coffers. Efforts by policymakers to prevent fraudulent welfare claims significantly intensified after the Johnson Administration, and took priority over creating constructive programs for its recipients. Policymakers became gatekeepers of tax funds rather than architects of social reform. By 1996, there were not enough citizens, state legislators, or federal politicians defending welfare to prevent a complete overhaul of the welfare system.

Chapter 2: Welfare Reform

Introduction

{FIGURE V: DECLINE IN AFDC/TANF CASELOAD EVEN WHEN POVERTY INCREASES}

The chart above conveys the impact of one of the most significant welfare reforms in the history of United States and how it changed the relationship of federal and state governments with its poorest citizens. While data from before 1996 shows that AFDC assistance was directly correlated with the number of families in poverty, a decoupling occurred after the welfare reform was approved on that year. In particular, from 1996 to 2012 the caseload for AFDC/TANF decreased by 60 percent even though poverty and deep poverty¹⁰⁵ increased: government was restricting assistance regardless of who needed it.¹⁰⁶ With the 1996 welfare reform, Democrats and Republicans were expecting that less generous benefits would push AFDC recipients into jobs and out of poverty, but that was not the case. Economic changes such as the restructuring of the labor market and the widening of income inequality are in part responsible for exasperating the situation of low-income communities. But it was ultimately the welfare reform that prevented government from responding adequately to structural changes.

This chapter will argue that AFDC/TANF become ineffective in assisting families in poverty due to its reform through the Personal Responsibility & Work Opportunity Reconciliation Act of 1996 (PRWORA) and reauthorization through the Deficit Reduction Act of 2005. AFDC after the reform was not meant to “provide for the general welfare” but rather to prevent dependency among its recipients. The change in the purpose of welfare, the introduction

¹⁰⁵ Deep Poverty: Income below half the poverty line.

¹⁰⁶ “Chart Book: TANF at 16,” *Center on Budget and Policy Priorities*. August 22, 2012. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3566>

of job requirements and the establishment of lifetime limits were among the most radical changes of the reform. It is also important to note that the deterioration of the United States' social safety nets and situation of those living in poverty could not have been possible without broad public support. Individuals in the United States have held an animosity towards welfare since its beginning but a climax was reached in 1996 after almost a decade of badgering by conservative pundits and the Reagan administration.

Circumstances

Economic Inequality

The last decade of the century started with an economic recession from July 1990 to March 1991.¹⁰⁷ The recession was relatively short and mild: GDP growth was -3.5% in the Fourth Quarter of 1990 and -1.9% in the First Quarter of 1991 and unemployment rose to 7.8%.¹⁰⁸¹⁰⁹ Nevertheless, this was the first slowdown that occurred after almost a decade of bonanza. While the United States' unprecedented period of post-war prosperity continued until the late 2000s, the economic truism that "a rising tide lifts all boats" became more easily refutable from the 1990s forward. The Federal Reserve of St. Louis has highlighted the disconnect between corporate and employee success: corporate profits have reached all-time highs while wages continue the free fall that began in the 1970s.¹¹⁰ Moreover, top wage earners have reaped the largest portion of the economic benefits since 1973 but the earnings of those at

¹⁰⁷ "US Business Cycle Expansion and Contractions"

¹⁰⁸ Nuno Fontes, "United States GDP Growth Rate," *World Bank*. April 26, 2013.

<http://www.tradingeconomics.com/united-states/gdp-growth>

¹⁰⁹ "Labor Force Statistics from the Current Population Survey," *Bureau of Labor Statistics*. April 2013.

<http://data.bls.gov/timeseries/LNS14000000>

¹¹⁰ Henry Blodget. "Corporate Profits Just Hit An All-Time High, Wages Just Hit An All-Time Low." *Business Insider*, June 22, 2012. <http://www.businessinsider.com/corporate-profits-just-hit-an-all-time-high-wages-just-hit-an-all-time-low-2012-6>

the bottom of the scale have stagnated.¹¹¹ Therefore, even the poor who succeed in finding a job struggle to improve their economic situation.

{FIGURE VI: CORPORATE PROFIT/GROSS DOMESTIC PRODUCT}

{FIGURE VII: WAGES & SALARY ACCRUALS/GROSS DOMESTIC PRODUCT}

{FIGURE VIII: CHANGE IN WAGES OVER TIME}

The Census Bureau indicates that from 1967 to 2010 income inequality increased by 18 percent, and nearly half occurred during the 1980s.¹¹² This national average conceals the more staggering inequality growth occurring at the county level. A similar study by Piketty and Saez (2007) discovered that the income segment controlled by the top ten percent of taxpayers increased from 31.7 in 1960 to 44.3 percent in 2005, while the segment controlled by the top one percent increased from 8.4 percent in 1960 to 17.4 percent in 2005.¹¹³ The Organization for Economic Co-Operation and Development (OECD), an economic organization composed of the wealthiest countries in the world, has reported similar findings for the United States. The Gini Coefficient, used to measure income inequality, showed that from the mid-1970s to the mid-2000s the difference between the bottom and top income quintiles in the United States increased by 20 percent even after taxes and transfer payments.¹¹⁴ The Federal Reserve of Boston explained that the “increasing disparity [of income] was a significant reversal of the U.S.

¹¹¹ Steven Greenhouse, “Our Economic Pickle.” *The New York Times*, January 12, 2013. http://www.nytimes.com/2013/01/13/sunday-review/americas-productivity-climbs-but-wages-stagnate.html?_r=0

¹¹² Adam Bee, “Household Income Inequality Within U.S. Counties: 2006–2010.” *US Census Bureau: American Community Survey*. February 2012. <http://www.census.gov/prod/2012pubs/acsbr10-18.pdf>

¹¹³ Thomas Piketty and Emmanuel Saez, “The Evolution of Top Incomes: A Historical and International Perspective.” *American Economic Review* 96, no.2 (2006) <http://elsa.berkeley.edu/~saez/piketty-saezAEAPP06.pdf>

¹¹⁴ “Income Distribution.” *Organization for Economic Co-Operation and Development: StatExtracts*. May 5, 2013. <http://stats.oecd.org/Index.aspx?QueryId=26068>

experience between 1950 and 1970, when rapid economic growth occurred along with a decrease in the difference between the incomes of the rich and poor.”¹¹⁵

Public opinion polls show that Americans are willing to tolerate higher levels of income inequality as long as social mobility is a feasible option, especially when compared to their European and Japanese counterparts. However, research and data has shown that while social mobility increased from the 1950s to 1980s, it has drastically declined since that time.¹¹⁶ A study conducted by the economists Katherine Bradbury and Jane Katz demonstrated that 53 percent of families that began 1988 in the poorest quintile were still there ten years later.¹¹⁷ Furthermore, only 33 percent of all families were able to move up one quintile.¹¹⁸ Based on this data one can assume that social mobility, the foundation of the American Dream, has been eroding for many families.

Labor Market

The American Dream is dependent on education and hard work but the opportunity to do either has disappeared. Critics of the welfare programs often state that recipients should focus on these two areas to succeed economically rather than receiving handouts from the government. However, studies such as that by Andrew Delbanco convey the decline of accessibility to quality higher education. His research demonstrates that between the mid-1970s and mid-1990s, in a

¹¹⁵ Katharine Bradbury and Jane Katz. “Are Lifetime Incomes Growing More Unequal? Looking At New Evidence on Family Income Mobility” *Federal Reserve Bank of Boston: Regional Review* (2002). <http://www.bos.frb.org/economic/nerr/rr2002/q4/issues.pdf>

¹¹⁶ Daniel Aaronson and Bhash Mazumder. “Intergenerational Economic Mobility in the U.S., 1940 to 2000.” *Federal Reserve Bank of Chicago*. February 2007. http://www.chicagofed.org/webpages/publications/working_papers/2005/wp_12.cfm

¹¹⁷ Bradbury and Katz

¹¹⁸ Ibid

sample of eleven prestigious colleges, the percentage of students in the bottom quartile of national family income remained at approximately 10 percent. At the same time, the percentage of students from the top quartile increased sharply from one third to one half. If the sample is broadened to include the top 150 colleges, the percentage of students from the bottom quartile drops to 3 percent.¹¹⁹ This means that a decrease in welfare benefits has been accompanied by a decrease in the number of low income individuals attending prestigious institutions of higher education. Rather than pushing recipients to success, lower benefits seem to have had a negative effect on education for the poor (Footnote: there has also been an increase of college prices).

Moreover, entering the labor force with limited education has become riskier and less beneficial. During the early and middle part of the twentieth century, low income individuals used blue collar jobs to improve their social position, but now those jobs are scarce. As mentioned in the previous chapter, the United States went through a period of deindustrialization and hollowing out of urban centers starting in the mid-1970s. A report by the Federal Reserve of Chicago shows that 28.4 percent of nonfarm workers were employed in manufacturing in 1960 in comparison to 16.2 percent in 1990 and 9.1 percent in 2009.¹²⁰ Overall, the productivity of the manufacturing sector has grown by approximately 2.9% in the past 60 years allowing 184 workers to produce in 2009 what took 1000 workers in 1950.¹²¹ While increased productivity is beneficial for the economy, policymakers must not ignore the dislocated workers that become collateral damage of progress. For example, after the 2000-2001 recession, data from the Bureau of Labor Statistics shows that the employment-to-population ratio plummeted from its highest

¹¹⁹ Andrew Delblanco, "Scandal in Higher Education," *The New York Review of Books*. March 29, 2007. <http://www.nybooks.com/articles/archives/2007/mar/29/scandals-of-higher-education/?pagination=false#fn2-586603391>

¹²⁰ William Strauss, "Is U.S. Manufacturing Disappearing?" *The Federal Reserve Bank of Chicago*, August 19, 2010. http://midwest.chicagofedblogs.org/archives/2010/08/bill_strauss_mf.html.

¹²¹ *Ibid*

historical level of 65 percent to a low of 62 percent.¹²² This decrease translates to about three million people becoming unemployed. It is important to note that the ratio never returned to its 1990s level and fell significantly during the Great Recession of 2007.¹²³

{FIGURE IX: EMPLOYMENT-TO-POPULATION RATIO}

The changes in the labor market, the disparity in higher education and income inequality as well as the lack of financial support from the government has created an environment that stifles poverty reduction, social mobility and economic development.

State of Welfare

While the image of welfare recipients in the 1990s was predominately that of Reagan's Welfare Queens whose numbers were constantly expanding and were ready to burden the government through their poor work ethic, data characterized them differently. Up to the welfare reform of 1996, the percentage of AFDC beneficiaries out of the United States population remained approximately the same as it had been for the past four decades ago (~4.5 percent).¹²⁴ The stability of welfare rolls is impressive considering the rate at which the low-income community was losing jobs. According to the Census, in 1993 the United States had 36 million mothers between the ages of 15 to 44, 3.8 million received AFDC payments to assist in the parenting of 9.7 million children.¹²⁵¹²⁶ Similar to the way newspapers tried to debunk Reagan's Welfare Queen stories during the 1980, Census data objectively rectifies the exaggerations that

¹²² "Employment-Population Ratio," *Bureau of Labor Statistics*. April 2013. <http://data.bls.gov/timeseries/LNS12300000>

¹²³ Ibid

¹²⁴ "Mothers Who Receive AFDC Payments: Fertility and Socioeconomic Characteristics," *U.S. Department of Commerce*. March 1995. <http://www.census.gov/population/socdemo/statbriefs/sb2-95.html>

¹²⁵ "Mothers Who Receive AFDC Payments: Fertility and Socioeconomic Characteristics"

¹²⁶ An additional 0.5 million women over 45 years old and 0.3 million fathers living with their dependent children also received AFDC

recipients were sex-driven, immoral female teenagers who purposefully gave birth to several children so that they could live on government benefits. The figures show that AFDC mothers were on average only three years younger than non-AFDC mothers when they had their first child. Similarly, AFDC mothers had on average 2.6 children in comparison to the 2.1 children had by their counterparts.¹²⁷ Furthermore, there was no significant difference between the numbers of children born to black or white AFDC mothers. Mothers receiving this type of government aid were also 10% more likely to have never been married than the general population.¹²⁸ While the stereotypes have a grain of truth, they mainly distort information about the age, fertility rate, and marital status of beneficiaries.

At the same time, the struggle faced by welfare recipients was often ignored during the welfare debates of the 1990s. Nearly three-quarters of mothers on AFDC lived in families supporting an average of 2.7 children with monthly incomes of less than \$1,000. Because of the shortcoming of the financial support four in five AFDC mothers lived below the poverty line.¹²⁹ Similarly, the Census reports that in 1993, one in seven AFDC mothers were enrolled in school with an average age of 28 and supporting 2.1 children. Since only 11 percent of these students were teenagers, the information suggests that most were finishing their education while raising a family “under severe economic conditions.”¹³⁰

Political Attitude

The tone for welfare reform during the 1990s was set by Democratic President Bill Clinton during his 1992 campaign when he promised to “end welfare as we have come know

¹²⁷ Ibid

¹²⁸ Ibid

¹²⁹ Ibid

¹³⁰ Ibid.

it.”¹³¹ Clinton’s plan was to make welfare “a second chance, not a way of life,” echoing the argument against AFDC dependency that became popular during the Reagan administration.¹³² The President’s priority during his first two years in office was to create a universal healthcare system and by the time his welfare proposal was considered in 1994, Republicans had won the majority in Congress and had an agenda of their own.

Republicans in the 104th Congress, trying to mimic FDR’s New Deal, made a “Contract with America” that was signed 367 congressional candidates.¹³³ Eleven working groups were created by the Republicans who were already Members of the House of Representatives. They eventually drafted ten bills that made up the Contract and were supposed to be passed in the first 90 days of Congress. One of those bills was the Personal Responsibility Act (PRA) that brought an end to AFDC. The PRA as stated in the Contract was intended to:

“Discourage illegitimacy and teen pregnancy by prohibiting welfare to minor mothers and denying increased AFDC for additional children while on welfare, cut spending for welfare programs, and enact a tough two-years-and-out provision with work requirements to promote individual responsibility.”¹³⁴

While the condition stated for welfare recipients were harsh, the rhetoric of elected officials who won in the 1992 and 1994 elections was worse. Representative Newt Gingrich (R-GA), who in 1994 became the first Republican House Speaker in six decades, recommended that children who were deprived of financial assistance due to the reform should be placed in

¹³¹ Clinton.

¹³² Ibid.

¹³³ Jeffrey B. Gayner, “The Contract with America: Implementing New Ideas in the U.S.,” *Heritage Foundation*. October 12, 1995. <http://www.heritage.org/research/lecture/the-contract-with-america-implementing-new-ideas-in-the-us>

¹³⁴ “Republican Contract with America,” *University of Maryland*. <http://www.bsos.umd.edu/gvpt/jgloekler/documents/contract.pdf>

orphanages where they could be raised under close government supervision.¹³⁵ Similarly, Florida Representative John Mica compared providing TANF benefits to feeding alligators, a practice which Mica explained his state rejected since “unnatural feeding and care creates dependency.”¹³⁶ President Clinton had vetoed two earlier versions of the then-called Personal Responsibility and Work Opportunity Act, but with an election months away where welfare reform would be a key issue, he decided to approve the third version. While Democrats were able to amend a few of the most radical changes, the Personal Responsibility and Work Opportunity Reconciliation Act would still be the most significant change to the United States welfare system.

Personal Responsibility & Work Opportunity Reconciliation Act of 1996

Legislative Findings and Purpose

The findings and purpose of the PRWORA set the parameters through which the Act would function. Its foundation made it clear that the focus of the Act was not to address poverty but to prevent dependency. The final version of PRWORA had as a general purpose to give greater flexibility to the states in managing programs that:

- 1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; 2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; 3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and 4) encourage the formation and maintenance of two-parent families.¹³⁷

¹³⁵ Richard O’Mara, “Are Orphanages Better for Kids than Welfare?” *The Baltimore Sun*. November 27, 1994. http://articles.baltimoresun.com/1994-11-27/news/1994331010_1_orphanages-newt-gingrich-illegitimacy

¹³⁶ Robert Pear, “House Backs Bill Undoing Decades of Welfare Policy,” *The New York Times*. March 25, 1995. <http://www.nytimes.com/1995/03/25/us/house-backs-bill-undoing-decades-of-welfare-policy.html?src=pm>

¹³⁷ Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Pub. L. No. 104-193, 110 Stat. 2105 (1995)

The purpose of the Act was considerably different from that stated for AFDC in the Social Security Act. It was not meant to “provide for the general welfare” as its predecessor had, but rather to impose a strong set of norms that, if followed, could grant an individual a certain level of financial aid. It systematically ignored changes in the labor market as well as cultural shifts that were not necessarily erroneous (e.g. less people were getting married in the general population) in order to impose moral reform. PRWORA also clearly stated that individual or family assistance was not an entitlement for its recipients. This statement overrode the judicial victories that had transformed AFDC from societal charity to a governmental responsibility, thereby leaving recipients vulnerable to the political ebbs and flows.

Moreover, many of the fundamental facts of the Act were, to a certain extent, disingenuous. For example, the PRWORA found that “while the number of children receiving AFDC benefits increased nearly threefold between 1965 and 1992, the total number of children in the United States aged 0 to 18 has declined by 5.5 percent.”¹³⁸ However, conservative lawmakers failed to mention that during the study’s base year of 1965, states were slowly beginning to comply with the Civil Rights Act of 1964, which prevented the government from withholding social services based on “race, color, religion, or native origin.”¹³⁹ The Republicans of the 104th Congress also made their cultural conservatism present by stating in the bill that “marriage is the foundation of a successful society.”¹⁴⁰ This was an indirect attack to AFDC’s largest group of beneficiaries, unmarried mothers, for causing society’s failure. Many supporters of the bill had low expectations for female-led, low-income households, as evidenced by Speaker Gingrich’s proposal to use orphanages raise children on AFDC.

¹³⁸ Ibid

¹³⁹ Civil Rights Act of 1964, Pub. L. No. 88-352, 78 Stat. 241. (1964)

¹⁴⁰ Personal Responsibility and Work Opportunity Reconciliation Act of 1996

New Requirements

The Personal Responsibility and Work Opportunity Reconciliation Act reconfigured the relationship between the federal government, the states, and low-income families as well as changed the name of the program from AFDC to Temporary Assistance to Needy Families (TANF). The three main changes to the program came in the form of its financing, the creation of particular requirements to receive benefits, and limiting such benefits to five year per lifetime. As seen previously, these alterations mainly followed ideological belief rather than research.

– Financial Structure:

TANF was to be financed by a Congressional appropriation of \$16.5 billion (only 1 percent of the 1996 federal budget) per year distributed among all 50 states in the form of a block grant.¹⁴¹ This amount was not be adjusted for inflation in the following years and would stay the same regardless of the changes in the amount of welfare recipient or the benefits that the state offered, *creating a mechanism by which benefits would be continuously reduced.*¹⁴² Although the appropriation would be a small decline from the amount spent by the federal government in 1995, it was 25% less than what the government used to provide in the 1970s (adjusted for inflation).¹⁴³ The requirement for TANF to be reauthorized after a certain number of years also left it exposed to constant changes in rules and finances, as it will be seen later in this paper with the 2005 reauthorization.

¹⁴¹ Ibid

¹⁴² Ibid

¹⁴³ Isabel V. Sawhill, "Welfare Reform: An Analysis of the Issue," *The Urban Institute*. May 1, 1995. <http://www.urban.org/publications/306620.html#chap11f2>

PRWORA also required states to contribute 80% of their “qualified State expenditure” for social services listed in the bill and use 1995 as a base year.¹⁴⁴¹⁴⁵ This would become a Maintenance-of-Effort (MOE) requirement for states. While it saddled states with a rigid line of expenditure, it also allowed TANF beneficiaries to be excluded from some federal requirements (i.e. the work requirement, lifetime limits, and participation rate calculation that would be discussed later in the paper).

Congress also created a contingency fund of \$2 billion to support an increase in benefit claims during an economic downturn over a period of five years.¹⁴⁶ However, lawmakers should have realized that the fund would be insufficient since during the relatively mild recession of 1991-1992, AFDC claims had increased by \$6 billion over three years.¹⁴⁷ This poorly prepared emergency plan would prove to be too fragile during the 2008 financial crisis.

– *Work Requirement*

Republican proponents of welfare reform also required individuals to participate in at least one of twelve categories of work as well as meet several other requirements to be eligible for TANF.¹⁴⁸ *Such eligibility requirements are meant to separate the worthy from the unworthy poor but policymakers unreasonably assume that effort alone will make the prerequisites achievable.* For example, single-parent homes with children under 6 years of age were required to fulfill 20 hours of work per week while two-parent homes were required to have 35 hours of

¹⁴⁴ Personal Responsibility and Work Opportunity Reconciliation Act of 1996

¹⁴⁵ States only had to contribute 75% if they met the two participation rates

¹⁴⁶ Personal Responsibility and Work Opportunity Reconciliation Act of 1996

¹⁴⁷ David A. Super, Sharon Parrott, Susan Stainmetz, and Cindy Mann, “The New Welfare Law,” *Center on Budget and Policy Priorities*. August 13, 1996.

¹⁴⁸ Personal Responsibility and Work Opportunity Reconciliation Act of 1996

work per week.¹⁴⁹ Similarly, a family receiving federally funded childcare has to participate in 55 hours of work a week.¹⁵⁰ However, these requirements ignore the possibility that harsh economic times limit the availability of work and other professional opportunities. Overall, the Urban Institute has found approximately 24 practices used by states under PRWORA to make individuals ineligible for TANF or have their benefits harshly decreased (more will be discussed in the subsection called Long-Term Effects).

– *Lifetime Limit*

The creation of a 60 month lifetime limit for welfare recipients was meant to prevent citizens from becoming dependent on the program and incentivize them to find work quickly. While this is almost twice as long as the Contract with America suggested, no rationale was provided for this length of time. Furthermore, 60 months is only a federally mandated maximum, but states can further limit the amount of time someone can be a recipient. For example, in 2011, in midst of one of the worst economic downturns in modern history, Arizona decided to shorten its lifetime limit to 24 months. This new policy caused approximately 3,500 low-income families to lose vital governmental support.¹⁵¹ The shortening of time limits is not unique to conservative states. Also in 2011, California shortened the time limit for adults receiving TANF from 60 to 48 months. A household of three with one parent would see its benefits decrease by \$122 per months once the parent reached the 48th month.¹⁵² *As it can be seen from these figure, many people leaving TANF are not doing so because they have improved their economic situation but because the government has restructure the rules by which it is willing to help.*

¹⁴⁹ Ibid.

¹⁵⁰ Ibid.

¹⁵¹ Liz Schott and LaDonna Pavetti, “Many States Cutting TANF Benefits Harshly Despite High Unemployment and Unprecedented Need,”

¹⁵² Ibid.

Deficit Reduction Act of 2005

Focusing the Rules

Congressmen voted on the Deficit Reduction Act of 2005 (DRA) along party lines, with only five Democrats supporting it through the process.¹⁵³ It placed greater budgetary constraints on TANF and showed that state flexibility will only be recognized if it supports the conservative ideology of more restricted government benefits. TANF was significantly affected by the decision of a Republican controlled Congress to keep its appropriation at \$16.5 billion because inflation had eroded 20% of its real value since 1996.¹⁵⁴ Similarly, the DRA incentivized states to decrease their caseloads, taking recipients off of welfare regardless of whether they had improved their economic situation. The 1996 law had established that 1995 would be a base year by which any measure would be compared. A decrease in the number of recipients or wedlock newborns could provide individual states with extra funds as well as prevent them from being penalized.¹⁵⁵ DRA adjusted the base year for TANF comparisons to 2005, thereby encouraging states to further decrease a caseload that was at a record low.¹⁵⁶

At the same time, the Act instructed the Department of Health and Human Services (HHS) to define the twelve categories of “work activities” as well as specify uniform methods for reporting work hours and the type of documentation needed to verify reported work hours within the next six months.¹⁵⁷ The decision by Republicans to have strong federal oversight over this program was clearly in opposition to states such as California and New York that were being

¹⁵³ “S. 1932--109th Congress: Deficit Reduction Act of 2005.” *www.GovTrack.us*. May 9, 2013
<http://www.govtrack.us/congress/bills/109/s193>

¹⁵⁴ This was calculated using the CPI Inflation Calculator from Bureau of Labor Statistics.

¹⁵⁵ Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

¹⁵⁶ “Deficit Reduction Act of 2005, Pub. L. 109-171. 120 Stat 2 (2006).

¹⁵⁷ Deficit Reduction Act of 2005

relatively generous with their benefits since 1996, but it also contradicted their original goal to give states greater flexibility with welfare programs. Congress also established through this law a penalty reducing up to five percent of a state's block grant if it failed to implement the procedures and internal controls as mandated by HHS. States that were already receiving limited funds were forced to divert resources away from public assistance to program administration or face receiving even less funds.

Participation Rate

PRWORA established that the participation rate would be calculated by dividing the number of adults participating in work activities for the number of hours specified by the total number of families receiving assistance each month that include an adult or minor head of household.¹⁵⁸ DRA accepted this formula but now also counts financial assistance funded by MOE as part of the denominator. This change caused the number of states not meeting at least one of the participation rates to jump from 6 in 2006 to 32 by 2007.¹⁵⁹ Moreover, those 32 states would have five percent of their adjusted State Family Assistance Grant reduced, plus two percent for every subsequent year they failed to meet the requirement.¹⁶⁰ To further aggravate the financial situation of the penalized states, each state must expand its funding by the amount it is being sanctioned for. Any state that fails to do so is subject to an additional penalty of up to 2 percent of its basic TANF grant¹⁶¹. DRA also confirmed that all states needed 50% of all single parent families and 90% of all two-parent families to have work.¹⁶² Failure to do so would

¹⁵⁸ Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

¹⁵⁹ "Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates." United States Government Accountability Office, May 2010. <http://www.gao.gov/assets/310/305109.pdf>

¹⁶⁰ Deficit Reduction Act of 2005.

¹⁶¹ Ibid.

¹⁶² Deficit Reduction Act of 2005

decrease the state's block grant by amount of percentage points it was missing to reach the federal goal.¹⁶³

Once again, it seems hypocritical that welfare reform advocates argue for giving states greater flexibility with federal dollars while imposing penalties if those states fail to abide by federal rules. As a response to the resetting of the base year to 2005 and the counting of MOE-funded programs towards the participation rate, many states employed creative ways to reach the federally established goals. While DRA declared that a state may not count caseload declines resulting from new requirements, it "may count the reductions attributable to enforcement mechanisms or procedural requirements that are used to enforce existing eligibility criteria."¹⁶⁴ Under this circumstances the states faced a dilemma: (1) reduce the number of participants who could compromise the state's ability to reach the participation rate in order have more adequate funding for those who remained; or (2) accept a series of penalties while still accommodating a large pool of applicants through inadequate benefits. As we will see in the next section, states aggressively used "enforcement mechanism or procedural requirements" to prevent their funds from dwindling.¹⁶⁵

Effects of Welfare Legislation

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and the Deficit Reduction Act of 2005 not only changed the name of one of the most important social safety nets of the United States but impaired the ability of federal and state governments to alleviate poverty. As mentioned earlier, the TANF caseload decreased by 60 percent after the 1996 reform even though poverty and deep poverty had increased. In some states like Louisiana,

¹⁶³ Ibid.

¹⁶⁴ Ibid

¹⁶⁵ Ibid

Wyoming, Illinois and Georgia, the caseload decline has been as high as 80 percent.¹⁶⁶ The poverty rate did decline during the first four years after the reform, but has increased since 2000 and is currently above its 1996 level. Reports from the Department of Health and Human Services as well as the Urban Institute argue that the decline during these first few years can be mainly attributed to a booming economy.¹⁶⁷

It is important to note that a decrease in caseloads only means a particular person has exited the program but is not necessarily equivalent to people finding jobs or having higher incomes. A large part of the decreased of caseload can be attributed to attrition suffered by the TANF “take-up” rate, defined as the share of eligible families that enrolled. The take-up has declined from 77 percent in 1996 to 36 percent in 2007.¹⁶⁸ This change indicates that households that are eligible to receive assistance but are choosing not do so do not know they are qualified, find it difficult to enroll, or are being otherwise diverted.¹⁶⁹ At the same time, state governments have been forced to use harsh rules to maintain their TANF rolls with those who are most employable. HHS reports that approximately half of all TANF cases are closed due to enforcement of an eligibility criterion.¹⁷⁰ It is clear that under its current rules, TANF has failed to stimulate employment among recipients.

{FIGURE X: TAND FAMILIES BY REASON FOR CLOSURE FY 2010}

¹⁶⁶ Pamela J. Loprest, “How has the TANF Caseload Changed Over Time?” *Urban Institute*. March 2012. http://www.acf.hhs.gov/sites/default/files/opre/change_time_1.pdf

¹⁶⁷ Sheila R. Zedlewski, “Welfare Reform: What Have We Learned in Fifteen Years?” *Urban Institute*., 2 April 2012.

¹⁶⁸ Ibid 3.

¹⁶⁹ Ibid.

¹⁷⁰ “Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 2010,” *Department of Health and Human Services*. August 8, 2012.

<http://www.acf.hhs.gov/programs/ofa/resource/character/fy2010/fy2010-chap10-ys-final>

Even the cases that are accepted are often underfunded since they cover the child but provide no assistance for the parent or guardian. The Urban Institute reports that approximately half of all TANF cases are child-only. One-third of child-only cases occur because the child is living with a grandparent even though PRWORA had as a goal to keep children in the care of parents and relatives.¹⁷¹ Child-only cases place the program back to the early 1900s when caretakers were not counted when calculating government assistance.

Overall, the value of TANF, nominal and real, provides inadequate financial assistance to needy families. While some value has been eroded away by inflation, a significant part has been earmarked for other purposes. The inflation-adjusted value of TANF benefits has declined in all but two states – Mississippi and Wyoming. Nevertheless, the situation in these two states is still suboptimal.¹⁷² For example, 80% of all TANF cases in Wyoming are child-only and do not take into account the survival of the caretaker. Even when considering the benefits nominally, in 2011, a family of three received \$428 per month in the median state in (in 14 states, such a family received less than \$300).¹⁷³ Furthermore, much of the financial assistance that families once received has been syphoned to “non-assistance” service such as child care, transportation, and refundable tax credits. In 1997 only 30 percent of TANF expenditure went to non-assistance services compared to 70 percent in 2007.¹⁷⁴ When aggregating inflation and benefit cuts, cash assistance have been reduced by approximately 56 percent since 1969.¹⁷⁵ While the non-assistance services are helpful to families, they cannot substitute for the needs of a regular household, such as rent, utilities, food, and clothing.

¹⁷¹ Zedlewski 4.

¹⁷² “Chart Book: TANF at 16”

¹⁷³ Ibid

¹⁷⁴ Ibid

¹⁷⁵ “Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 2010,”

Solving the Culture of Poverty

Democrats and Republicans were expecting that the less generous benefits found in PRWORA would push former AFDC recipients into finding jobs and away from a life of poverty. However, as {FIGURE 1?} demonstrated, that has not been the case. People are not accepting government benefits because doing so is better than working, but because they have no other option. Nonetheless, even under the meager circumstances in which recipients find themselves, they have been able to find ways out of poverty. HHS reports that the average length of assistance for a family in TANF in 2006 was 35.4 months.¹⁷⁶ Similar to when AFDC was in place (without time limits), only twelve percent of cases last for four or more years.¹⁷⁷ TANF recipients do not grow dependent of government aid, but seek their own independence as suggested by data.

Moreover, TANF opponents also hoped that increasing employment among mothers would make children value education and work preparation, but little evidence supports or refutes these claims.¹⁷⁸ Even the attempt of welfare reform to increase marriage rates has proven unsuccessful. Nevertheless, cohabitation has increased, but most likely due to mothers' need for shared incomes.¹⁷⁹ Unfortunately, the closing of the employment gap between single mothers with a high-school education or less and their childless counterparts in 2000 was followed by a decline in employment for both groups.¹⁸⁰ This suggests that employment strategies that worked

¹⁷⁶ "Temporary Assistance for Needy Families: Eighth Annual Report to Congress" Office of Family Assistance. June 1, 2009. <http://www.acf.hhs.gov/programs/ofa/resource/tanf-8th-report-111908>

¹⁷⁷ LaDonna Pavetti. "Testimony before the House Ways and Means Committee, Subcommittee on Human Resources." *Urban Institute*, May 23, 1996. <http://www.urban.org/publications/900288.html>

¹⁷⁸ Zedlewski 8.

¹⁷⁹ Ibid.

¹⁸⁰ Ibid 9.

in the past to employ single mothers will not work now due to fewer jobs available and competition with more educated and better qualified women.

Closing Remarks

While the PRWORA and DRA have succeeded in decreasing enrollment in AFDC/TANF, they have failed to translate that decline into a decrease of people in poverty or a lower unemployment rate among welfare recipients. The economic situation described at the beginning of this chapter will surely make legislative action to decrease poverty an arduous task, but one that is worth doing to fulfill the government's Constitutional duty "to promote the general welfare." However, if change is to be brought forward it is important to understand the opinion of United States citizens. It was the concern of the electorate that the "culture of poverty" was abusing the welfare system that led to the 104th Congress and the Clinton administration passing PRWORA. Policymakers were quick to respond to their constituents' demands regardless of the factual or empirical validity of their beliefs.

Chapter 3: Public Opinion

Introduction

The two previous chapters have explained how ADC was created in response to the Great Depression and developed over the next seven decades. In particular, Chapter 3 analyzed the welfare overhaul that occurred in 1996 and the repercussions it has had since. However, none of these changes occurred in a vacuum. Alongside politics and the economy, changes in public opinion, politics have helped drive the direction of the welfare program whether it was through the New Deal, the Great Society or PRWORA. Hence, public opinion is the subject of this chapter.

Boston College Professor William Gamson explains that “broad shifts in public sentiment, and electoral changes and rhythms all have a heavy influence on whether political consciousness ever gets translated into action.”¹⁸¹ At the same time, it is possible for political consciousness to affect public sentiments by creating a narrative that the electorate can follow, as seen in the previous chapters. This phenomenon creates a bilateral relationship where policymakers and citizens affect each other’s opinions and ideological viewpoints. This chapter will mainly focus on analyzing how public opinion is essential in determining what “welfare” is and the effects it has on the policymaking process. It will highlight the paradox between what people desire for anti-poverty policies and the policies they support. Failure to understand these ideas will hinder any possibility for welfare reform.

¹⁸¹ William Gamson, *Talking Politics* (New York: Cambridge University Press, 1992)

Welfare as Perceived¹⁸²

What is Welfare?

Welfare is defined by the Merriam-Webster dictionary as “aid in the form of money or necessities for those in need.”¹⁸³ However, in the United States “welfare” has a negative connotation and is used as an epithet for government programs and people. This word is almost always associated with poor work ethic, immoral behavior, and dependency. For many decades welfare opponents have been successful in narrowly defining welfare as a burden on society. Nonetheless, when the essence of welfare programs or recipients are presented to individuals but are not labeled as welfare, respondents tend to be more sympathetic. This is vital when measuring public opinion and determining the political will of the electorate: people like the idea of welfare but not its connotation or the stereotypical person that it has historically served.

Although many Americans believe that the needy must be self-reliant and help themselves, polls indicate that Americans are more sympathetic to the “poor” than to “people on welfare” even though both groups greatly overlap. Data from the American National Election Survey (ANES) has shown that since 1976, respondents feel “warmer” (or more sympathetic) towards the poor¹⁸⁴ than to those who receive welfare.¹⁸⁵¹⁸⁶ In 1994, when the GOP gained the

¹⁸² Conclusions drawn from ANES and GSS data are from independent analysis of the data available.

¹⁸³ Definition located through <http://www.merriam-webster.com/dictionary/welfare>

¹⁸⁴ VCF0223: We'd also like to get your feelings about some groups in American society. When I read the name of a group, we'd like you to rate it with what we call a feeling thermometer. Ratings between 50 degrees-100 degrees mean that you feel favorably and warm toward the group; ratings between 0 and 50 degrees mean that you don't feel favorably towards the group and that you don't care too much for that group. If you don't feel particularly warm or cold toward a group you would rate them at 50 degrees. If we come to a group you don't know much about, just tell me and we'll move on to the next one: Poor People

¹⁸⁵ VCF0220: : We'd also like to get your feelings about some groups in American society. When I read the name of a group, we'd like you to rate it with what we call a feeling thermometer. Ratings between 50 degrees-100 degrees mean that you feel favorably and warm toward the group; ratings between 0 and 50 degrees mean that you don't feel favorably towards the group and that you don't care too much for that group. If you don't feel particularly warm or cold toward a group you would rate them at 50 degrees. If we come to a group you don't know much about, just tell me and we'll move on to the next one: People on Welfare

majority in Congress, ANES data showed an obvious decline in positive feelings for welfare recipients. Overall, public opinion towards those in poverty has remained on average over 20 points above that for welfare. While the latest data from 2008 shows some improvement in the popularity of welfare recipients, the temperature gap remains (56% versus 74% respectively).

{FIGURE XI: CHANGES IN THE “TEMPERATURE” TOWARDS WELFARE RECIPIENT AND THE POOR}

The ANES data also highlights some important demographic differences when it comes to the feelings people express towards welfare recipients. The trends suggest that gender¹⁸⁷ and the attainment of a high-school diploma¹⁸⁸ play a negligible role in influencing people’s opinion on the issue on welfare while party identification¹⁸⁹ and race¹⁹⁰ have a significant effect. Republicans have on average been seven percentage-points below Democrats in their sympathy for welfare recipients but in 1994 the gap grew. It is also important to note that the opinion of Democrats and Republicans has generally changed in the same direction since 1976. However, in 2008, for the first time in three decades, Republicans became less sympathetic towards welfare recipients while Democrats became more sympathetic. This can probably be attributed to Republican’s striving for a balance budget as the national debt was brought to the forefront of the political arena, especially during the presidential campaign that year. For many members of the Grand Old Party welfare spending was no longer just ineffective, it was burdening the country.

{FIGURE XII: CHANGES IN THE “TEMPERATURE” TOWARDS WELFARE RECIPIENTS BASED ON PARTY IDENTIFICATION}

¹⁸⁶ This data comes from a 100 point scale, where higher numbers suggest “warmer” feelings.

¹⁸⁷ VCF0104: Respondent Gender

¹⁸⁸ VCF0110: What is the highest degree that you have earned?

¹⁸⁹ VCF0301: Generally speaking, do you usually think of yourself as a Republican, a Democrat, an Independent, or what?

¹⁹⁰ VCF0106a: In addition to being American, what do you consider your main ethnic group or nationality group?

Similarly, whites generally have been less sympathetic towards welfare recipients than blacks. In 1976 and 1980 the opinion gap was greater than twenty points. It was not until 1986 that the gap became closer to the current average. Nevertheless, the difference in opinion between whites and blacks began widening again in 2008.

{FIGURE XIII: CHANGES IN THE “TEMPERATURE” TOWARDS WELFARE RECIPIENTS BASED ON RACE}

The General Social Survey (GSS), one of the largest sociological surveys in the United States, reports very similar trends from its respondents. Since 1984 the support for government spending in programs assisting the poor has been almost three times that of welfare. It also clear that there is a positive correlation for the support of both types of programs even though assistance for the poor has always been higher. Data from the GSS also conveys that at any point since 1978, approximately half of Americans are in favor of some degree of government action in reducing income inequality.¹⁹¹ At the same time, data from ANES shows that the general public does not want the government to guaranteed jobs for those who seek them.¹⁹² The view of wanting less inequality and less interference from the government in the labor markets would lead to policies of direct cash transfers such as AFDC/TANF. Yet, these are programs that respondents dislike. This cognitive dissonance has plagued welfare programs since the New Deal. The electorate favors helping the poor but devalues the very government programs that do so.

¹⁹¹ EQWLTH: Some people think that the government in Washington ought to reduce the income differences between the rich and the poor, perhaps by raising the taxes of wealthy families or by giving income assistance to the poor. Others think that the government should not concern itself with reducing this income difference between the rich and the poor. Here is a card with a scale from 1 to 7. Think of a score of 1 as meaning that the government ought to reduce the income differences between rich and poor, and a score of 7 meaning that the government should not concern itself with reducing income differences. What score between 1 and 7 comes closest to the way you feel?

¹⁹² VCF0808: Some people feel the government in Washington should see to it that every person has A JOB AND A GOOD STANDARD OF LIVING. Others think the government should just LET EACH PERSON GET AHEAD ON THEIR OWN. Which is closer to the way you feel or haven't you thought much about this?

Self-Reflection

It is also important to note that even those with the lowest incomes are particularly antagonistic towards welfare recipients¹⁹³. In 1996, 19 percent of this group expressed disapproval towards welfare beneficiaries in comparison to only five percent towards the poor. In the less contentious years of 1976 and 2008, the feelings of those in the lowest quintile matched the overall average for the poor but were ten percentile points below for welfare beneficiaries. At the same time, as one moves up the income scale there tends to be higher levels of dislike towards individuals receiving government aid but there is little to no change of feelings towards the poor. This seems to suggest that while members of the lowest quintile have disconnect between their animosity for welfare recipients and the poor, they can be relatively more understanding towards these categories than the upper quintiles.

While ANES and GSS shed some light on the thoughts of low-income communities, they are not able to provide the public with the actual thoughts of welfare recipients. Hence in a 1995 case study of welfare recipients, Portland State University Professor Karen Seccombe interviewed women on welfare to gain insight on lives and thoughts of TANF beneficiaries. Mothers on welfare knew that they are stereotyped as being lazy, unmotivated and government swindlers. Similar to the opinion of the general public, these women also distrusted other AFDC beneficiaries. Several of them admitted that they didn't know anyone who committed fraud or abuse personally, but stated that "there are a lot of people like that out

¹⁹³ VCF0114: I am going to read you a list of income categories. Please tell me which category best describes the total income of all members of your family living in your house in 1999 before taxes. This figure should include salaries, wages, pensions, dividends, interest, and all other income. Please stop me when I get to your family's income.

there.”¹⁹⁴ In accordance to a more conservative ideology, participants attributed other women’s poverty and use of welfare to that person’s own “laziness, drug use, lack of human capital, personal choice, other person shortcomings or irresponsible behavior.”¹⁹⁵ These responses seem to suggest that welfare mothers disassociated themselves from the stereotype but are willing to believe that it applies to others in the group. This distrust among AFDC beneficiaries keeps the community fractionalized and prevents the sort of movement to demand improvements to their situation.

Dislike for Welfare Program

Welfare has always been a divisive issue in the United States. Even the New Deal, which is now considered a historical piece of legislation, received strong opposition during the late 1930s in Capitol Hill and among the electorate.¹⁹⁶ However, welfare program like pensions for the elderly have not received the amount of animosity accorded to AFDC/TANF. In 2012, almost 70 percent of American believed that the government should be responsible for senior citizens.¹⁹⁷ What is the difference between a people receiving a government check as a pension from Social Security instead of TANF? Opponents may argue that these “Welfare Queens” do not deserve their cash assistance since they have not worked, but based on the data previously presented, one knows that welfare recipients are constantly participating in the labor force thereby contributing to the benefits they are receiving. Although no one factor can be attributed as the reason for public dislike of welfare programs, the belief that a recipient is lazy and would prefer to receive

¹⁹⁴ Karen Secombe, *So You Think I Drive a Cadillac?* (Boston: Allyn and Bacon, 1999), 63.

¹⁹⁵ Ibid 62.

¹⁹⁶ Roper/Fortune Survey, Sep, 1939. Retrieved May-10-2013 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html

¹⁹⁷ Washington Post/Kaiser Family Foundation/Harvard Americans on Values Followup Survey 1998, Aug, 1998. Retrieved May-10-2013 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html

government aid than earn money through work plays a large role. This principle was at the foundation of Reagan's "Welfare Queen" and existed before it. In 1964, during the height of the War on Poverty, 68 percent of Gallup survey respondents believed that most or some people in welfare were there for dishonest reasons.¹⁹⁸ The situation worsened by 1976, when 85 percent of respondents agreed in a Harris Survey that "too many people" in welfare cheat by getting money they are not entitled to.¹⁹⁹ However, the question of why TANF beneficiaries are stigmatized while recipients of other government programs are not remains.

A key difference between ADC/AFDC/TANF and other government programs is that the former caters to many unpopular groups in society. For example, in the first half of the twentieth century, ADC mainly benefited divorced, widowed, or unmarried women who had children, all of whom were seen as unworthy of public funds. During the 1930s-1950s polls show that the majority of Americans either did not believe in divorce or it should not be allowed in their state.²⁰⁰²⁰¹ A divorced woman receiving government funds would surely not receive much sympathy from respondents. Similarly, towards the end of World War II, most people the United States were unwilling to advocate for widowed mothers to receive their veteran husband's pension.²⁰² Moreover, unmarried mothers were considered "jezebels" and unscrupulous for bearing children when they were not in an official relationship. Welfare was seen as supporting

¹⁹⁸ Gallup Poll (AIPO), Nov, 1964. Retrieved May-10-2013 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html

¹⁹⁹ Harris Survey, Feb, 1976. Retrieved May-10-2013 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html

²⁰⁰ Gallup Poll (AIPO), Jan, 1954. Retrieved May-10-2013 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html

²⁰¹ Gallup Poll, Apr, 1936. Retrieved May-10-2013 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html

²⁰² Gallup Poll, Feb, 1938. Retrieved May-10-2013 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html

people who were alleged violators of society's mores. It is the association of the program with these unpopular groups earned it a negative reputation.

As the program liberalized and started to accept new recipients, a new group of "undesirables" entered the welfare rolls: African Americans. Countless sociologists such as Williams Julius Wilson and Martin Gilens have posited that one of the major reasons for animosity towards welfare by the general population is the overrepresentation of African Americans in AFDC/TANF. Gilens states that "in a culture in which economic failure is often attributed to lack of effort, blacks' economic problems themselves reinforce the stereotype of laziness."²⁰³ In 1990, GSS respondents were 21 times more likely to believe that blacks lived off welfare than whites and thereby reflecting Gilens' claim²⁰⁴. As shown in previous polls, most Americans are dismissive of economic situations, racism or other barriers that can limit upward social mobility. Hence it is not surprising that many Americans see welfare as a program that is being target by "lazy" blacks to take advantage of public funds.

Gilen also argues that the media has for many decades portrayed poverty in America as a black problem. For example, an analysis of stories in *Newsweek*, *Times* and *the US News & World Report* over four and a half decades (from 1950-1995) reports that over half of all pictures depicting poverty are of African Americans even though this group only represent 29.3 percent of the poor.²⁰⁵ Furthermore, Gilen concludes that providing the correct statistics will not be enough to diminish American's animosity towards welfare program. Both Wilson and he believe that the best way to change public opinion is by lowering the number of African Americans in

²⁰³ Martin Gilens, *Why Americans Hate Welfare?* (Chicago: University of Chicago Press, 1999), 3

²⁰⁴ FAREBLKS: Do people in these groups tend to prefer to be self-supporting or do they tend to prefer to live off welfare?

²⁰⁵ Gilen 113.

poverty.²⁰⁶ This creates a conundrum in which policymakers have to reduce poverty among blacks to gain support for welfare programs overall.

Reaction to Welfare

Welfare Across Borders

It is no surprise that Americans have a significantly different relationship with their government when compared to citizens in other countries, especially in welfare-friendly Europe. The European Social Survey of 2010 determined that 88 percent of respondents thought that their “government could do more to prevent people from falling into poverty.”²⁰⁷ That same year a survey ran by the Kaiser Foundation, Harvard University, and the Washington Post found that only 64 percent of Americans believed that there should be “more involvement” by the government to reduce poverty.²⁰⁸ Similarly, when in 2012, Americans were asked to rank what worries them the most about the national economy, unemployment and the national debt were the two main worries while economic inequality ranked eighteen.²⁰⁹ The difference between Europeans and Americans does not mean that one is better than the other, but it does highlight the differences in political culture between the two regions and what they expect from their respective governments. It also begins to explain why the United States has weaker social safety nets than other comparable wealthy nations: Americans seem not to demand it as much.

What Americans believe about how government should use welfare to tackle poverty is not only different from other nations but also differs across time. For example, *The US News &*

²⁰⁶ Ibid 214-215.

²⁰⁷ “European Social Survey,” *Norwegian Social Science Data Services*. 2010. <http://ess.nsd.uib.no/ess/round5/>

²⁰⁸ Kaiser/Harvard/Washington Post Role of Government Survey, Sep, 2010. Retrieved May-10-2013 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html

²⁰⁹ Frank Newport, “Americans’ Economic Worries: Job, Debt, and Politicians,” January 12, 2012. <http://www.gallup.com/poll/152009/americans-economic-worries-jobs-debt-politicians.aspx>

World Report reported in 1996 that almost half of Americans believed that establishing a five year time limit on welfare would in the long run help the children of welfare recipients.²¹⁰

Likewise, when it comes to deciding what plays a bigger role in determining opportunities to move ahead, people in the United State strongly supported “your own skill and hard work” (41%) over “the state of the economy” (6%) and “current government policies” (5%).²¹¹

However, after the 2001-2002 recession, six in every ten individuals were willing to waive the time limit due to the difficult economic times.²¹² In 2012, as the economy was still feeling the repercussion of the Great Recession, 46 percent of people said that “circumstance,” not “lack of effort” (38%), was the cause of poverty.²¹³ The previous statements seem to indicate that people in the United States are willing to admit that the culturally entrenched American Dream can be limited by structural constraints. However, this sympathy seems to ebb as the economy recovers. It is this deeply set belief that makes it difficult for politicians for gather enough support for to improve welfare programs.

What is Not Welfare?

Republicans have often advocated for reducing the government’s deficit mainly, if not exclusively, by decreasing spending while ignoring the possibility of reducing tax breaks. In particular, TANF has constantly been faced with attempts of fiscal reduction. Republicans make the assumption that governmental assistance in the form of TANF is trivial enough to shrink but

²¹⁰ U.S. News , Sep, 1996. Retrieved May-10-2013 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html

²¹¹ Allstate/National Journal Heartland Monitor Poll, Sep, 2012. Retrieved May-10-2013 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html

²¹² Pew Research Center for the People , Apr, 2012. Retrieved May-10-2013 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html

²¹³ Pew Research Center for the People , Apr, 2012. Retrieved May-10-2013 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html

fail to see how tax breaks are also a form of government aid. Tax reductions are not government spending, but they are foregone revenue that could be used to pay for services or reduce the deficit. Furthermore, tax breaks are in essence government “aid in the form of money” that is not collected from household since policymakers have decided individuals are in “need” of it. However, most conservatives do not categorize tax breaks as a form of welfare. An article in the Wall Street Journal on March 2012 highlighted how the federal government sacrifices almost \$1 trillion – approximately the size of its budget deficit – to provide these tax subsidies.²¹⁴ The federal government could easily afford paying for TANF by reducing tax breaks by less than 2 percent.

**{FIGURE XIV: Top 10 Individual Tax Break for Fiscal Year
2014}**

It is also important to note that many of these tax subsidies disproportionately benefit the wealthier in society. For example, the mortgage-interest deduction, the third most generous tax break in the chart above, fits the case. The Center for Budget and Policy Priorities reported in 2012 that “more than half of federal spending on housing benefits households with incomes above \$100,000.”²¹⁵ Overall, the government spends the same amount of fund subsidizing the housing of the top 5 percent of income earner as it does in assisting public housing.²¹⁶ Similarly, the amount of tax revenue foregone to charity alone is over three times the amount allocated to TANF.²¹⁷ Defying conventional wisdom, just a small fraction of charity goes towards poverty

²¹⁴ John D. McKinnon, Tax Breaks Exceed \$1 Trillion: Report. *Wall Street Journal*. March 24, 2012. <http://online.wsj.com/article/SB10001424052702303812904577299923495453562.html>

²¹⁵ Barbara Sard and Will Fischer, “Renters’ Tax Credit Would Promote Equity and Advance Balanced Housing Policy,” *Center on Budget and Policy Priorities*. July 25, 2012.

²¹⁶ Ibid.

²¹⁷ McKinnon.

relief. In 2002, only two percent of donations went to social welfare and nine percent went to human services.²¹⁸

Although many individuals benefit from the \$1 trillion of tax break, many do not believe that they are accepting any type of government assistance. A recent study done by Cornell University Professor Suzanne Mettler shows that 60 percent of people receiving home mortgage interest deductions claim that they have not used a government social program.²¹⁹ The same applies for 53 percent governmental student loan recipients and 40 percent of Medicare users. This societal perspective makes it easy to oppose welfare for the poor while supporting welfare for the middle and upper class. The failure to classify the receipt of these benefits as a form of welfare blinds society to the important role that policy has in assisting individual citizens. It also promotes a double standard where providing government assistance for the poor creates dependency while providing assistance to almost anyone else stimulates the economy.

Closing Remarks

Public opinion plays an essential role in the policymaking process. Failure of liberal politicians to convince the electorate that welfare programs serve the public good as mentioned in the OECD and NIH studies from the previous chapter has resulted in the continuous shrinking of what used to be relatively successful poverty relief programs. Those who advocate for the reduction of these services have succeed in narrowly defining welfare as a liability to society and differentiating it from other government programs that also cater to public “need,” such as tax breaks. Nevertheless, it is clear that Americans are willing to help the poor but the welfare

²¹⁸ Rob Reich, “A Failure of Philanthropy,” *Stanford Social Innovation Review*. Winter 2005. <http://www.giarts.org/sites/default/files/Failure-of-Philanthropy.pdf>

²¹⁹ Catherine Rampell, “Keep Your Government Hands Off My Government Programs!” *The New York Times*, February 11, 2011. <http://economix.blogs.nytimes.com/2011/02/11/keep-your-government-hands-off-my-government-programs/>

stereotypes of laziness, dependency, and poor work ethic prevent them from supporting such policies.

Chapter 4: Policy Recommendations

Financing TANF

Coverage and Value

Since the creation of TANF in 1996 and its reauthorization in 2005, the United States has experienced an increase in poverty while a continually decreasing number of TANF cases. Although the existence of the five-year time limit has played a role, the states have been incentivized by the federal structure of the block grant program to limit the number of cases they have. As noted in Chapter 2, states can ameliorate their monetary sanctions or have the federal government give them more funds if they are able to reduce their caseload. At the same time, states do not want to hold cases for individuals who are difficult to employ since they prevent the state from reaching the federal participation rate. Case reductions have often been achieved by imposing harsh sanctions and changing eligibility guidelines rather than by improving the living situation of TANF recipients. Therefore, a caseload decline provides a false sense of societal improvement where it does not exist.

Ideally, the federal government would change the grant system into a matching program through which it would pay for half of the state's spending on TANF (the next subsection will discuss how TANF has to be more narrowly tailored). By guaranteeing this breakdown in expenditure the federal government would be paying proportionally less than it was during AFDC and approximately the same as it is now.²²⁰ It would also grant states more flexibility as promised in PRWORA and prevent negative incentives. The matching programs would liberate

²²⁰ Personal Responsibility and Work Opportunity Reconciliation Act of 1996

states from having to implement strict eligibility requirements and from the easier welfare cases to guarantee adequate funding.

With greater flexibility states will be able to experiment with new ways to connect people with opportunities to improve their socioeconomic situation. For example, the welfare-to-work programs in Riverside County, California and Portland, Oregon are recognized to be among the most successful in the country although the former places a greater emphasis on finding a job first while the latter stresses the value of human capital.²²¹ Similarly, Connecticut's Step-Up Program has been successful in subsidizing jobs in the state's strong small business and manufacturing base to decrease unemployment.²²² Part of the variation in strategy but success of these programs occurs because they are serving clients and sites with different characteristics and have the flexibility to adapt to it. While HHS has recently begun to grant participation-rate waivers for very specific cases, new and innovative welfare programs might increase with less restrictions.²²³

However, due to the current animosity towards welfare and the political polarization described in Chapter 3, it would be difficult to pass such a drastic change. If the block grant structure is unable to garner enough support, there should at least be a change in the language of the bill to replace the "reduction of caseloads" requirement for a "reduction in unemployment" as well as systematically adjust the value of TANF benefits for inflation. By holding states accountable for the number of jobs gained by welfare recipients rather than how many of them

²²¹ Robert Walker, David Greenberg, Karl Ashworth, and Andreas Cebulla. "Successful Welfare-to-Work Programs: Were Riverside and Portland Really that Good?" *Focus* 22, no. 3 (Summer 2003). 11-12. <http://www.irp.wisc.edu/publications/focus/pdfs/foc223.pdf>

²²² Dannel Malloy, "New State Program Offers Small Businesses Incentives for Hiring Jobseekers," *Connecticut Governor's Office*. April 3, 2012

²²³ Earl S. Johnson, "Guidance Concerning Waiver and Expenditure Authority Under Section 1115." *Office of Family Assistance*, July 12, 2012. <http://www.acf.hhs.gov/programs/ofa/resource/policy/im-ofa/2012/im201203/im201203>

are still on welfare, lawmakers and taxpayers will assess the effectiveness of TANF rather than the creativity of administrators to adjust the rules of eligibility when it is advantageous. As the past sixteen years show, caseload reduction has little societal value if poverty and unemployment continuously increases among welfare recipients.

Similarly, by adjusting the value of benefits for inflation, the government will be committing to helping those in need. If legislators wish to reduce the benefits available to recipients, they will still have the option to do so legislatively. However, they will not be able to clandestinely let inflation erode TANF value without feeling the political backlash of continuously voting to decrease on poverty reduction programs. It would be appropriate for the TANF benefits to be adjusted through the cost-of-living-adjustment (COLA) in the same way Social Security pensions have been since 1972.²²⁴ COLA is determined by the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year a COLA was determined to the third quarter of the current.²²⁵ Alternatively, TANF could use another version of the Consumer Price Index as calculated by the Bureau of Labor Statistics. Regardless of the index, inflation reduction will prevent the thinning of American safety nets.

Supplemental Programs

While TANF assistance has been eroded through inflation and restricted through crafty regulations, it has also been largely diverted to other programs. As mentioned in Chapter 2, cash assistance has severely decreased since its high point in the late 1960s, and even since the welfare reform was first passed. In 2011, only 29 percent of TANF funding went to cash

²²⁴ “Cost-of-Living Adjustment (COLA)” *U.S. Social Security Administration*.
<http://www.ssa.gov/oact/cola/colasummary.html>

²²⁵ *Ibid.*

assistance, compared to 71 percent in 1997.²²⁶ TANF funds are often used to support programs such as childcare, refundable tax-credits for low income families, pregnancy prevention, two-parent family maintenance, and the administrative system needed to comply with new federal regulations. Supplemental programs funded by TANF are important and often needed by low income communities. However, these programs should not compete for funds with the essential cash assistance meant for participants. For example, pregnancy prevention is a worthy goal to follow which avoids unwanted children during an individual's prime years of education or work. Nevertheless, having more pregnancy prevention does not cloth, feed, or provide shelter for those who are already in poverty (with or without children). Congress ought to segregate the amount of funds appropriated for cash assistance to TANF recipients from all the other programs, thereby narrowly tailoring the legislation and preventing unintended earmarks. TANF cash assistance should not be part of a zero-sum system with other social services the same way Social Security pensions are not contingent on other programs for the elderly, such as Medicare. New legislation could keep supplemental programs under the administration of TANF but Congress, rather than the states, should determine the percentage of the grant used for cash assistance.

Contingency Fund

Although Congress should separate the supplemental programs from TANF cash assistance, it should also better integrate and improve the Emergency Contingency Fund. Historically, AFDC cases and spending always increased during and after economic recessions and decreased as the economy recovered. However, welfare reform has decoupled this

²²⁶ Liz Schott, LaDonna Pavetti and Ife Finch, "How States Have Spent Federal and State Funds Under the TANF Block Grant," *Center on Budget and Policy Priorities*. <http://www.cbpp.org/cms/?fa=view&id=3808>

relationship. From its 1996 inception, Congress knew that the Fund would not be able to properly support an economic downturn. As mentioned in Chapter 2, the current level of the Fund could only support one-third of what was needed for the AFDC expansion during the relatively mild 1991 recession. The 2001 recession did not have much impact on TANF because the cases gained due to the recession were mainly offset by the cases lost from the maturing 1996 reform, resulting in the number of TANF cases decreasing during this period but at lower rate. The strength of the Fund was truly tested during the economic crisis that started in 2007 but the effects of which are still felt at the time of this writing. Some of the earlier repercussions were ameliorated by the American Recovery and Reinvestment Act that did a one-time appropriation of \$5 billion for FY 2009 and FY 2010.²²⁷ Nevertheless, states were forced to slash TANF assistance once the fund ran out, even though unemployment was still high and the economy had not returned to pre-recession levels.

Lawmakers ought to make the TANF caseload sensitive to economic indicators, such as unemployment and poverty rate during a crisis. They should pass legislation committing the federal government to increase emergency funding by the percentage change of prospective TANF recipients. Therefore, if a recession is expected to increase the number of potential applicants by 10% then the federal government will increase TANF appropriation through the Emergency Contingency Fund by 10%. This number could be calculated by the Congressional Budget Office and based on the eligibility requirements in each state on the year before the recession. They would continue this strategy until the economy returns to full employment. This proposal makes the concession that full employment for the country will be reached before low-

²²⁷ “Questions & Answers on the American Recovery and Reinvestment Act of 2009,” *U.S. Department of Health and Human Services*. <http://www.hhs.gov/recovery/programs/tanf/tanf-faq.html>

income members achieve full-employment since unemployment has constantly been higher among low income communities.²²⁸

PRWORA Requirements

Time Limit

The creation of time limits for TANF was one of the most widely contested areas of welfare reform. It was meant to prevent an unlimited “dependency” on government assistance. However, data shows that the time limit has had marginal effects. Only 1.3 percent of case closures are due to the federal time limit and the average length of TANF that a family receives assistance is of 35.4 months (almost half of the 60 month time limit).²²⁹ Due to the small number of people that are affected by this piece of legislation, the Department of Health and Human Services should study the demographics of this group and why they reach their TANF lifetime limit when so many do not. HHS must also look at those recipients in states that have a time limit that is below the federal one.²³⁰

The investigation will most likely find that this small fraction of welfare recipients face some of the most severe barriers to employment such as work-limiting health conditions, poor mental/emotional health, and domestic violence (some may have multiple). Previous studies have demonstrated that most TANF recipients have at least one barrier of employment, therefore it can be logical to conclude that this 1.3 percent would have the hardest time overcoming these barriers.²³¹ Based on the finding of the HHS, each state should work with the federal government

²²⁸ Rob Valletta, “Long-Term Unemployment: What Do We Know?” *Federal Reserve Bank of San Francisco*. February 4, 2013. <http://www.frbsf.org/publications/economics/letter/2013/el2013-03.html>

²²⁹ “Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 2010,”

²³⁰ Approximately one-third of all states have a lower time limit

²³¹ Dan Bloom, Pamela J. Loprest, and Sheila R. Zedlewski, “TANF Recipient with Barriers to Employment,” *Urban Institute*.

to either help people overcome the barriers or lower the barriers to begin with. While some may argue that individuals should overcome barriers on their own, the history of the United States shows that the government has always helped individuals help themselves. In the first sentence of the Preamble to the United States Constitution, government is held responsible for promoting “the general welfare.” Similarly, legislation such as the Homestead Act of 1862²³², the GI Bill of 1944²³³, and all of the current tax exemption are clear examples that the United States government constantly supported its citizens. There is the possibility that those whose cases are closed due to the time limit are simply waiting to extract as much government assistance as possible before having to work. In any case, the HHS should observe what welfare recipients who exhaust their allotted 60 months do after they are cut off. If findings support the Welfare Queen stereotype, then the policy would be validated.

Job Requirement

Similar to the time-limit, the job requirement is meant to prevent TANF recipients from becoming perpetually reliant on government aid. It follows the Victorian distinction between the “unworthy” poor who are able-bodied and the “worthy” poor. However, it is important to consider that being willing to work is significantly different from having the opportunity to work. The 2008 financial crisis has highlighted the fundamental issue with having a job requirement for TANF: there are too many people seeking too few jobs. To further exasperate the situation, people who need to find a position to receive TANF assistances typically have a low level of educational attainment and the data shows that unemployment rates are almost twice

²³² Those who had never taken arms against the Union Army during the American Civil War could apply to receive a land grant from the federal government.

²³³ Officially known as the Servicemen’s Readjustment Act of 1944 was meant to provide multiple benefits to World War II veterans.

as high for individuals who have not finished high school.²³⁴ In previous decades, these individuals could have worked in the manufacturing industry for an adequate salary, but as noted in Chapter 2, those jobs are now scarce. Moreover, almost half of all unemployed at this time have been without a job for more than six months, a calculation which does not consider discouraged workers.²³⁵ The Federal Reserve Bank of San Francisco reports that job-prospects are at their lowest for those who have been unemployed for three months or more.²³⁶ Furthermore, the Congressional Budget Office has already extrapolated that the economy will not return to full employment until at least 2018.²³⁷

Based on the current economic situations Congress should wave the work requirement temporarily, provide subsidized jobs, or do a combination of both. It is not realistic to ask for those in society who have the least training and most employment barriers to find positions in the worst crisis since the Great Depression. Lawmakers could ease worries of dependency by temporarily eliminating the time limit that searching for a job counts towards the work requirement. In essence, people who are looking for a job will be able to receive TANF benefits. While some will worry that recipients will pretend to look for jobs but be unwilling to work, most research presented in the previous chapters has demonstrated that people are willing to work when given the chance. At the same time, in accordance with welfare-to-work ideology, lawmakers can add resources to the Emergency Contingency Fund that can be used by states to provide subsidized employment until the economy returns to full employment. Through a subsidized employment program the government will be receiving some of its spending back in

²³⁴ Valletta.

²³⁵ “Unemployed Persons by Duration of Unemployment,” *Bureau of Labor Statistics*. May 3, 2013. <http://www.bls.gov/news.release/empsit.t12.htm>

²³⁶ Valletta.

²³⁷ Terence P. Jeffrey. “CBO: America Will Never See Full Employment Under Obama,” *CNSNews.com*. March 26, 2013. <http://cnsnews.com/news/article/cbo-america-will-never-see-full-employment-under-obama>

the form of taxes and workers will not have their skills eroded by experiencing longer periods of unemployment. While subsidized employment programs have proven relatively unsuccessful in alleviating unemployment among welfare recipients during normal economic periods, there is the possibility that the program will be more effective with individuals who were in the labor force until the recession.

Hopefully, this national experience with systematic and structural unemployment will lead lawmakers and the electorate to realize that welfare recipients who are unemployed are not necessarily so by choice. As highlighted by Chapter 3, an increase in empathy with welfare recipients does occur during recessionary periods, but it quickly fades away. While the political climate will not allow for the permanent elimination of the job requirement, the willingness of the Obama administration to grant job-requirements waivers to states that are seeking to increase employment among TANF beneficiaries is a positive step in the right direction. This policy allows each region to tailor employment programs to fit the needs of the local industry without having to worry about their funding being limited if the state does not meet the participation rate. The federal and state governments must use the diversity of industries in the United States to allocate the labor force appropriately rather than forcing the same techniques on high-tech California and tourist-oriented Florida. At the same time, the elimination of time limits for which a recipient can search for a job without being penalized as well as the dissolution on limits of how many people can participate in each of the twelve work categories will give states the flexibility to discover how they can increase employment in this community. All levels of government should learn from the unsuccessful experience of reducing poverty through strict job requirements, and create new possibilities.

Fraud Prevention

As noted in Chapter 3, most people in the United States are willing to assist the poor but hesitate to support welfare programs such as TANF. Chapter 3 also explained that some of the worries about TANF recipients swindling the government are established on exaggerated stereotypes that have been passed from one generation to the next since the inception of the program. Nevertheless, the Office of the Inspector General determined that in the mid-2000s before the passage of the Deficit Reduction Act of 2005) New York, Michigan and Ohio had high rate of overpayments and underpayments.²³⁸ Unfortunately, there have not been recurring investigations to update the fraud rate in individual states.

The federal and state governments can do more to assure that TANF funds are properly allocated to people who need them rather than those who are trying to collect extra income. However, we must take into consideration that even the most popular government programs are affected by error and fraud, but their eradication is not demanded nor are their participants stigmatized as in the case of TANF. For example, HHS determined that in 2011 there had been more than \$64 billion in improper payments with the Medicare and Medicaid system; an amount over three times the size of the overall federal budget for TANF. Similarly, it is estimate that in 2010, \$305 billion dollars were lost due to tax evasion.²³⁹ In the short-run, it would probably be more economical for regulatory agencies to prosecute medical providers and large tax evaders who are defrauding the government than TANF recipients. While the integrity of TANF should be protected, lawmakers must also calculate what is in public interest when it comes to pursuing

²³⁸ Office of the Inspector General, *Review of Improper Temporary Assistance for Needy Families Basic Assistance Payment in New York State for July 1 through December 31, 2005*, by Daniel R. Levinson. Washington D.C.: HHS. <https://oig.hhs.gov/oas/reports/region2/20602015.pdf>

²³⁹ "Update on Reducing the Federal Tax Gap and Improving Voluntary Compliance," *Congressional Budget Office*, July 8, 2009. http://www.ourfiscalsecurity.org/storage/infographic_FRI_D5.pdf

fraud. Overall, asking for the dissolution of TANF because of fraud would be like having a school close its doors because some students cheated on their homework.

If lawmakers believe that TANF fraud should be a political priority or have been able to minimize improper payments in other areas, they should use many of the modern financial devices to make sure that welfare dollars are allocated to the needy. For the most part, people who take a few hundreds or thousands of cash assistance in TANF are not going to be using Swiss banks or be wiring money to islands in the Caribbean. Therefore, as suggested by the Inspector General, fraud could be severely reduced by a more thorough examination of the documents presented by TANF applicants.²⁴⁰ Congress could also pass legislation to ease the process by which TANF fraud inspectors, not caseworkers, can access financial records to TANF recipients. In a computerize age, there is reason why a HHS cannot collaborate with the Internal Revenue Service and a private bank to determine the financial movements of a person who has been reasonably accused of defrauding the program.²⁴¹

²⁴⁰ *Review of Improper Temporary Assistance for Needy Families Basic Assistance Payment in New York State for July 1 through December 31, 2005.*

²⁴¹ *US v. Miller*, 307 U.S. 174 (1939) <http://supreme.justia.com/cases/federal/us/307/174/case.html>

Conclusion

The previous four chapters have analyzed the rise and fall of AFDC/TANF and proposed ways to improve it. Failure to do so will surely lead to a further deterioration of living standards among low-income communities in the United States. The proposed reform is not ideological but rather a mere reaction to changes in the labor force that have appeared as consequence of economic progress and free market strategies.

Since the inception of this welfare program, opponents have repeatedly imposed restrictions in the hopes of preventing an alleged “culture of poverty” and dependency. However, these changes have had either a negative effect, such as increasing poverty, or none at all. The Personal Responsibility and Work Opportunity Reconciliation Act promised to usher AFDC/TANF recipients out of the program by establishing a time limit and enforcing a work requirement. Although the number of cases has decreased, the poverty rates remain at an all-time high, even if one excludes the effects of the Great Recession. Although the shift from a manufacturing to a service-oriented economy is partly responsible for this, federal and state governments have done little to ameliorate the situation. The United States has mainly followed a conservative strategy to eliminate poverty for over fifteen years and it has resulted in a worse situation. As previously mentioned, studies have shown that even the positive effects of the welfare reform’s early years can be largely attributed to a strong economy and other reforms. Research has also proven that there is no conclusive evidence (domestically or internationally) that welfare programs hinder economic growth.

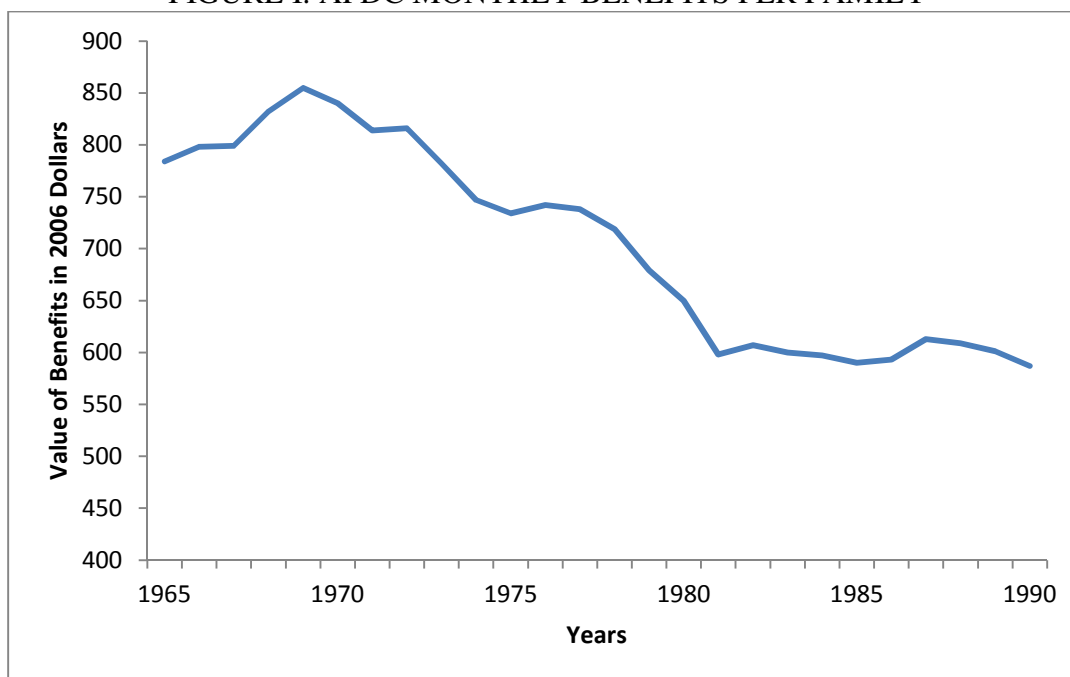
It is time for policymakers to face the country’s socioeconomic situation not necessarily as a matter of ethics or charity but because individuals need these programs to improve their

living standards, thereby enhancing the overall economy as mentioned in Chapter 1. At the same time, people who use AFDC/TANF on average find a job and exit the program within the first three years. Welfare recipients use these programs as stepping stones to success rather than to live a comfortable work-free life. While Chapter 4 recommends a study be conducted to learn why a small percentage of individuals remain part of the program for longer periods of time, at this point there is not conclusive data on the subject. In the US, where success is believed to be strongly linked with hard work, poverty becomes an indicator of a deficient work ethic rather than the result of multiple social factors. However, research has noted the multiple barriers to employment that recipients face that prevent them from improving their situation. The Great Recession has also highlighted the reality of structural unemployment and the fact that too many people can be pursuing too few jobs.

Based on the evidence of the past four chapters it is clear that policymakers must act now or expect to make a larger investment in the future as low-income communities continue to fall behind their wealthier counterparts. AFDC/TANF is no longer having the positive societal effects it had during most of the twentieth century due to the legislative restriction currently in place. Americans are in need of a new deal that will reestablish the supporting relationship between government and citizens needed for a thriving economy and cohesive society.

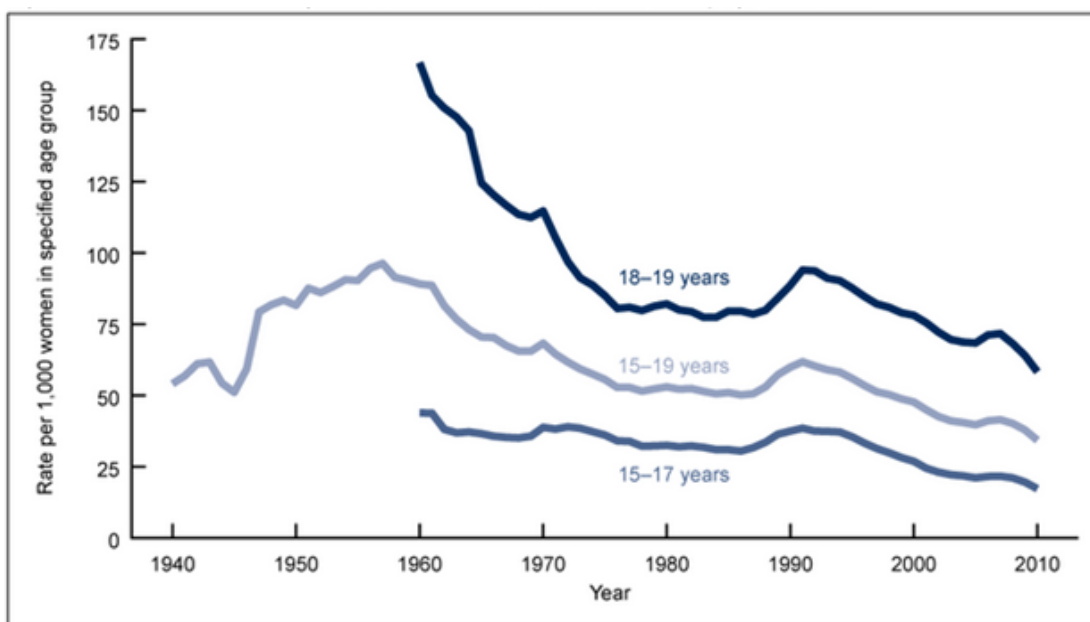
Appendix A

FIGURE I: AFDC MONTHLY BENEFITS PER FAMILY



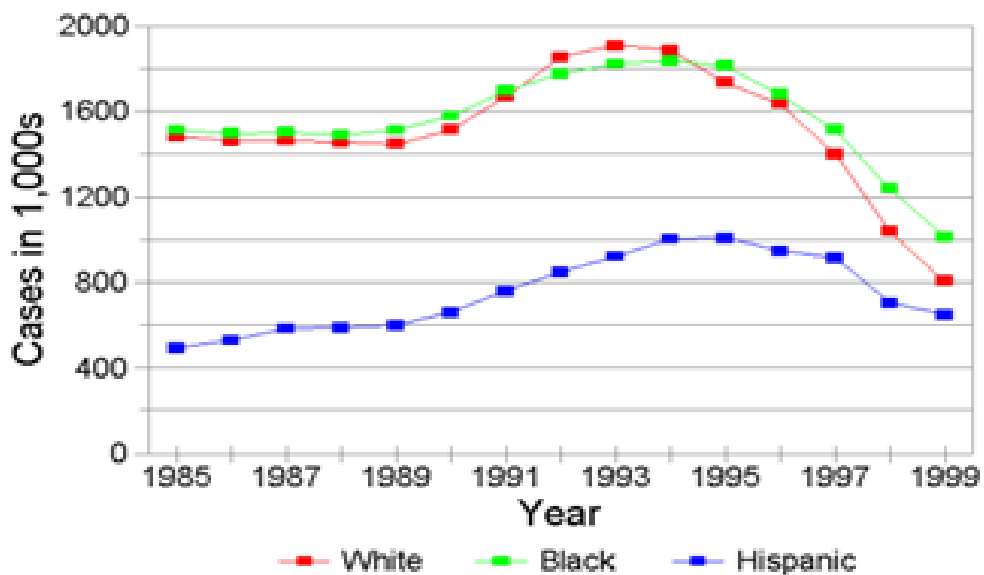
Source of Data: Department of Health and Human Services

FIGURE II: BIRTH RATES FOR WOMEN AGES 15-19 FROM 1940-2010



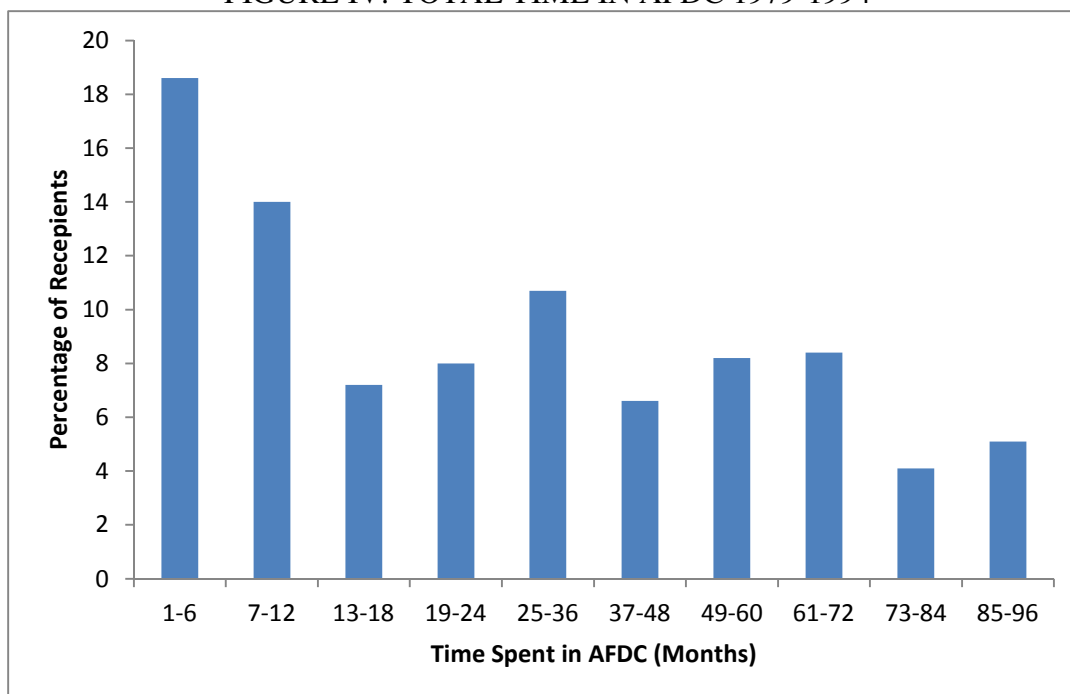
Source of Graph: Center for Disease Control – National Vital Statistics System

FIGURE III: NUMBER OF AFDC/TANF FAMILIES BY RACE



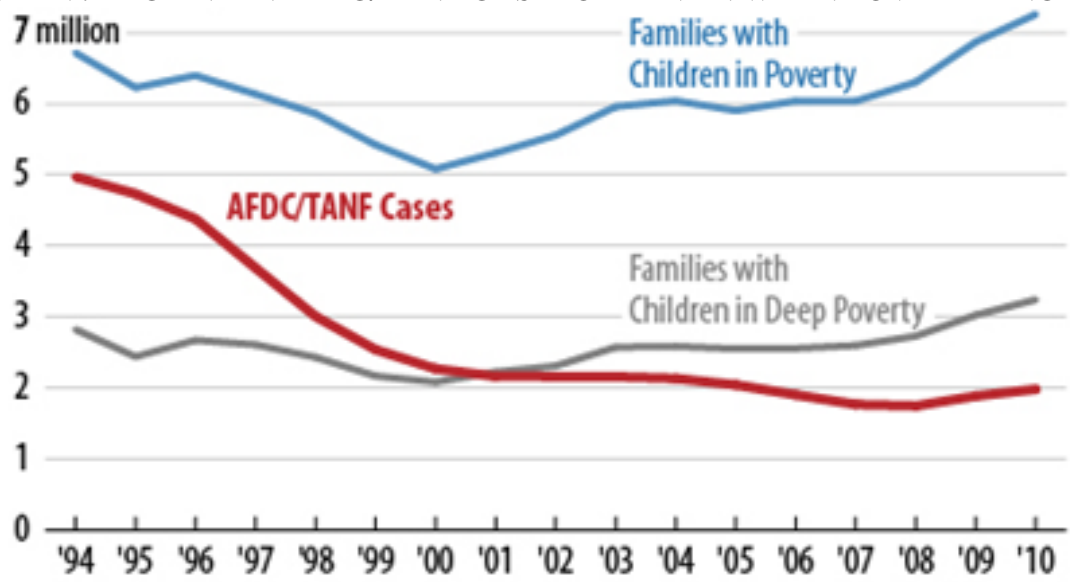
Source of Graph: U.S. Department of Health and Human Services

FIGURE IV: TOTAL TIME IN AFDC 1979-1994



Source of Data: U.S. Department of Health and Human Services

FIGURE V: DECLINE IN AFDC/TANF CASELOAD EVEN WHEN POVERTY INCREASES



Source of Graph: Center of Budget and Policy Priorities

FIGURE VI: CORPORATE PROFIT/GROSS DOMESTIC PRODUCT



Source of Data: Federal Reserve Bank of St. Louis

FIGURE VII: WAGES & SALARY ACCRUALS/GROSS DOMESTIC PRODUCT

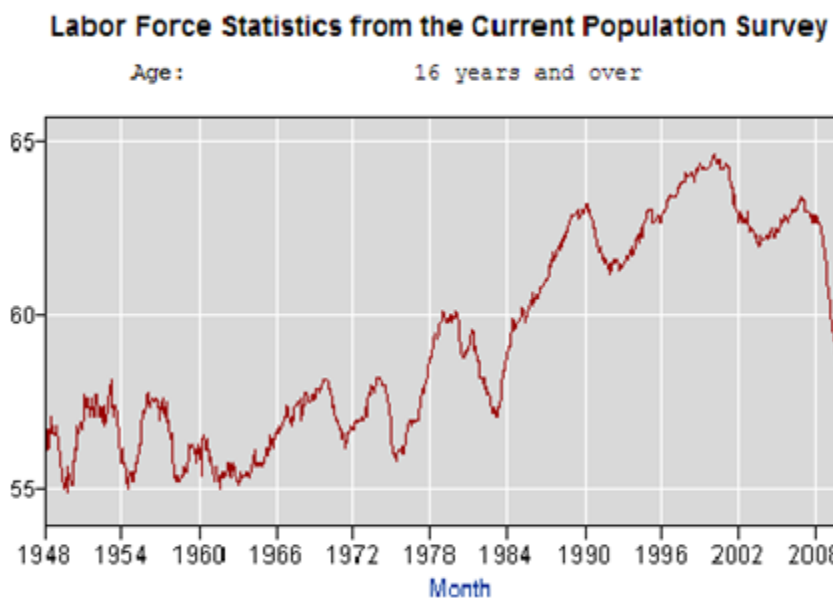


Source of Data: Federal Reserve Bank of St. Louis



Source of Graph: Institute of Economic Policy

FIGURE IX: EMPLOYMENT-TO-POPULATION RATIO



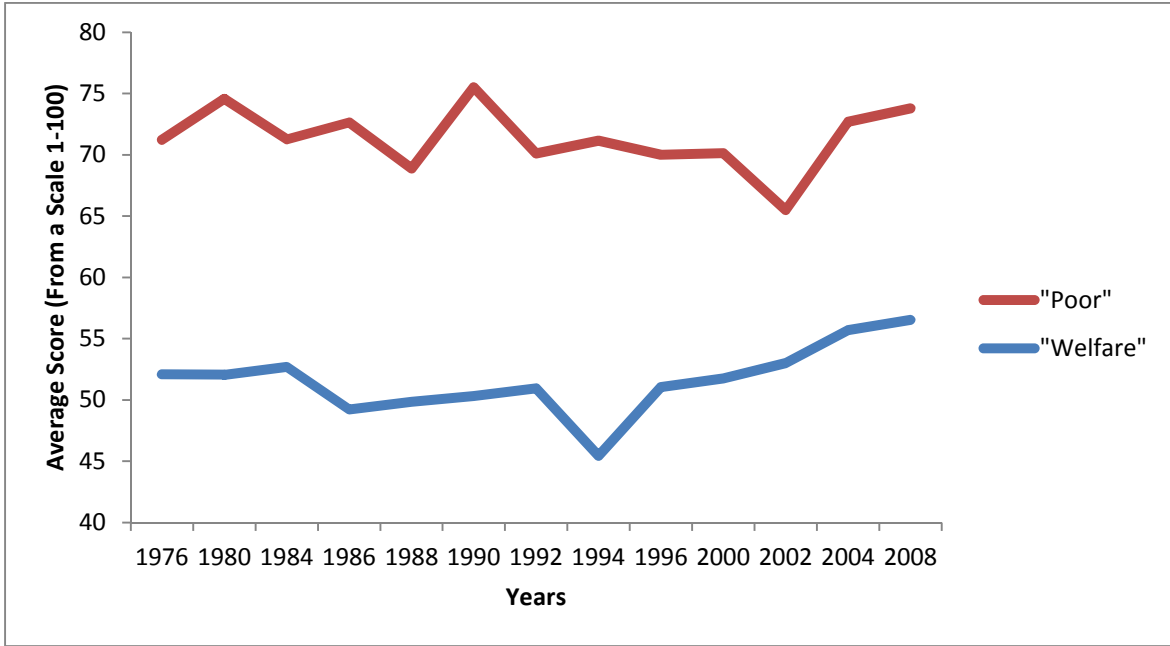
Source of Graph: Bureau of Labor Statistics

FIGURE X: TAND FAMILIES BY REASON FOR CLOSURE FY 2010

Reason For Closure	Percentage of Total Closed Caseloads
Employment	16.6%
Federal Time Limit	1.3%
Sanction	15.4%
State Policy	11.9%
Failure to Comply	17.9%
Voluntary Closure	12.6%
Others	24.3%

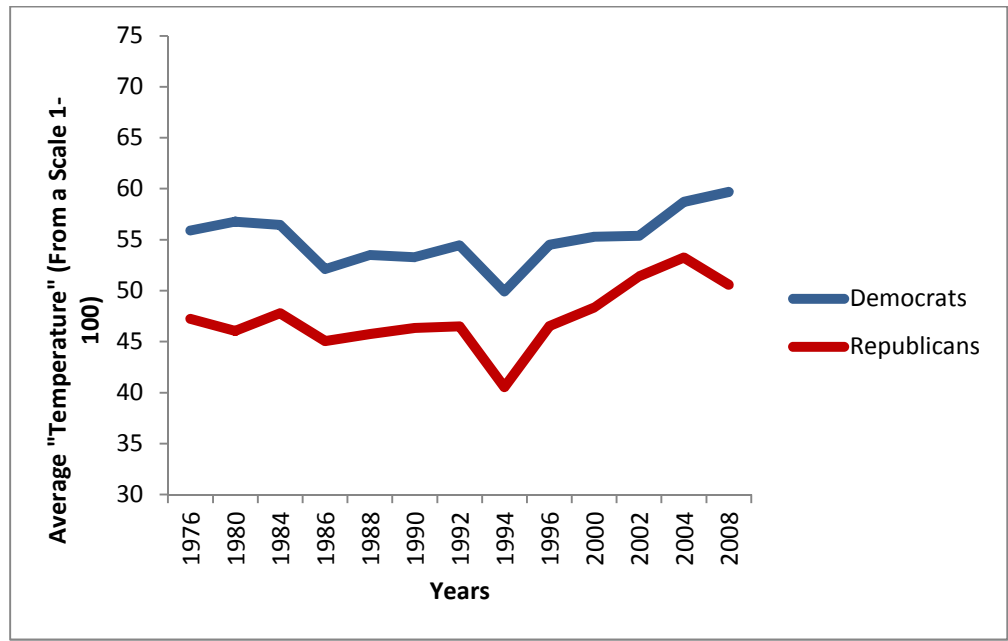
Source of Chart: Department of Health and Human Services

FIGURE XI: CHANGES IN THE “TEMPERATURE” TOWARDS WELFARE RECIPIENT AND THE POOR



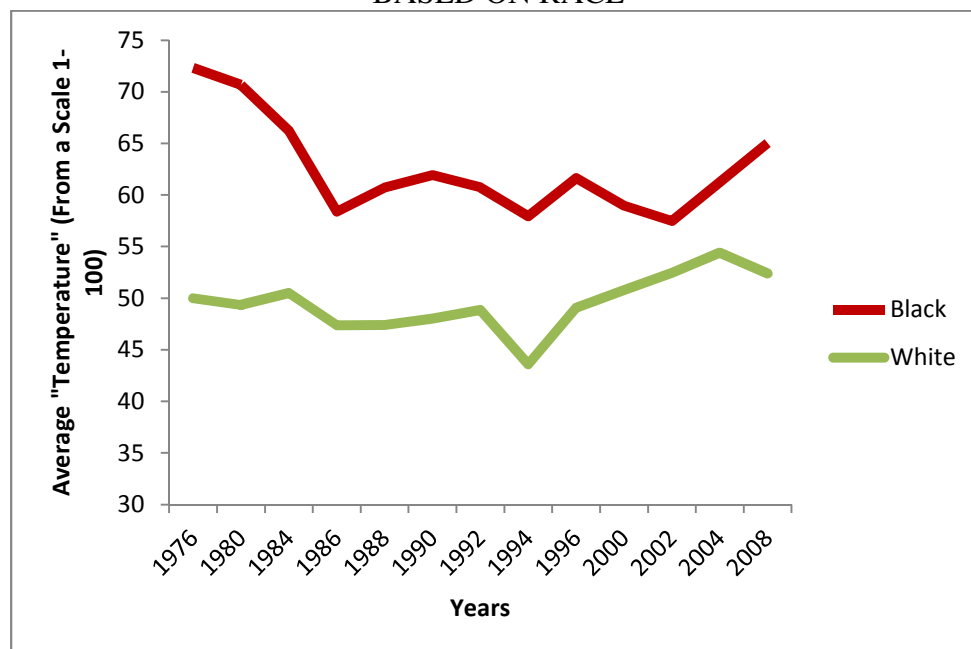
Source of Data: American National Election Survey

FIGURE XII: CHANGES IN THE “TEMPERATURE” TOWARDS WELFARE RECIPIENTS BASED ON PARTY IDENTIFICATION



Source of Data: American National Election Survey

FIGURE XIII: CHANGES IN THE “TEMPERATURE” TOWARDS WELFARE RECIPIENTS
BASED ON RACE



Source of Data: American National Election Survey

FIGURE XIV: Top 10 Individual Tax Break for Fiscal Year 2014

Provision	Dollar value in billions	Share of all tax expenditures
Exclusion of employer health insurance	164.2	13.2%
Exclusion of employer pensions	162.7	13.1%
Mortgage-interest deduction	99.8	8.1%
Exclusion of Medicare	76.2	6.1%
Low tax rates on capital gain	71.4	5.8%
Earned income credit	58.4	4.7%
Deduction of income taxes	54.0	4.3%
Tax breaks for estate assets	51.9	4.2%
Child credit	51.7	4.2%
Deduction of charitable contribution	51.6	4.2%

Source: Wall Street Journal

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