

# Building the American Welfare State

Until the congressional elections of 1994, Democrats had dominated the formation of American social policy since the Great Depression. This dominance had been so complete that even one of the most important Republicans between the end of World War II and the Republican takeover of Congress in 1995, President Richard Nixon, was a protoliberal in most matters of domestic policy. In neat Hegelian fashion, this dominance by Democrats produced a reaction against federal social programs that culminated in a revolution in federal social policy following the Republican sweep of Congress in 1994.

This book is the story of how Republicans, with ample support from Democrats and President Bill Clinton, enacted legislation in 1996 that caused this revolution by eliminating Aid to Families with Dependent Children (AFDC), a New Deal program that provided cash welfare to poor parents who in the main did not work and many of whom had children outside marriage. The AFDC program was replaced with a new program, Temporary Assistance for Needy Families (TANF) that required work, penalized states that did not require welfare recipients to work and individuals who refused to work, rewarded states that helped parents leave welfare for work, and set a time limit on the duration individuals could receive welfare. Although the fight over AFDC got most of the attention, the revolution extended far beyond AFDC to eliminate or severely restrict welfare for drug addicts and alcoholics, noncitizens, and mildly disabled children. Moreover, the new law constituted the first broad attack on the nation's exploding problem with illegitimate births by restricting welfare for teenage mothers, giving states new options for reducing or eliminating financial incentives for nonmarital births, strengthening the nation's laws on paternity establishment and child support enforcement, giving cash bonuses to states that reduced their non-

marital birth rates, making it easier for churches and other faith-based organizations to accept government dollars to fight poverty, dependency, and degradation, and establishing a national network of programs to teach abstinence to teens. Taken together, these reforms constitute the most fundamental change in American social policy since the Social Security Act of 1935.

The reaction represented by this revolution was prompted, in part, by the failure of many social programs to achieve their goals. As the noted program evaluator Peter Rossi of the University of Massachusetts in Amherst would have it, if predictions are based on what is known from scientific evaluations, the expected net impact of any new social intervention is zero.<sup>1</sup> The problems with American social policy, however, run much deeper than the mere failure of a few programs. The American people appear to have rejected some of the most fundamental tenets of liberal social policy, if indeed they ever agreed with them. Consider the following dichotomy. On one side are social programs that provide benefits to people who are not expected by the American public to work. The Social Security programs, which provide cash for the elderly and disabled and their dependents and survivors, lead the list of these popular programs. On the other side are welfare programs for the able-bodied, such as the now defunct AFDC program. These programs are suspect because American taxpayers expect able-bodied adults to support themselves and their families.<sup>2</sup>

The welfare system as it existed on the eve of the Republican takeover of Congress in 1995 provided many benefits to many people, especially single mothers and their children. In doing so, however, it violated the instincts and values of the American public by providing generous benefits to millions of able-bodied adults. In this chapter I review the arguments put forth by Democrats and Republicans as they struggled to change a welfare system that virtually everyone regarded as deeply flawed. I review the emergence of the American version of the welfare state between 1935 and 1972, examine several weaknesses in the programs that portended difficulty, assess the underlying factors that shaped the welfare debate of 1993–96, and then examine the goals of Democrats and Republicans as they shaped the reform legislation President Clinton signed into law on August 22, 1996.

Democrats, often with support from Republicans, constructed the American version of the welfare state, especially after 1965, without heeding the distinction between social programs that were acceptable to Americans and those that were not. Eventually, most Americans came to believe that welfare programs encouraged nonwork and induced other behavioral problems such as nonmarital births and crime among the poor. Research evidence that welfare actually does reduce work is overwhelming, while evidence on the connection between welfare and nonmarital births is moderate.<sup>3</sup> Evidence on whether welfare leads to crime and other unfortunate behaviors is weak to nonexistent. Popular beliefs do not always

rest on empirical data. Even so, the American public viewed welfare and dependency on welfare as the root of many social ills, including ones for which the evidence was shaky.<sup>4</sup> But political decisions often are based on beliefs and values and not on social science evidence. For a mix of evidence-based and value-based reasons, welfare was destined to be unpopular with the American public.

Democrats began their long campaign to increase the “social security” of Americans by creating insurance programs designed to help people not expected to work. In fact, most of the benefits accrued to people who had a long record of previous work but who could no longer work because of illness, injury, old age, or involuntary unemployment. The centerpiece of this agenda, and indeed the centerpiece of American social policy, is the Social Security Act. Signed into law by President Franklin D. Roosevelt in 1935, Social Security firmly established the principle that the federal government would provide guaranteed (or in federal jargon, “entitlement”) benefits to various groups of qualified citizens. Many of the programs contained in the original act were based at least in part on insurance principles because Americans paid taxes on a routine basis to finance the benefits. In 1995, on the eve of the great debate that led to the 1996 welfare revolution, 37.4 million retired workers, wives and husbands of retired workers, widowed mothers and fathers, and various dependents received Social Security benefits of nearly \$292 billion.<sup>5</sup>

The Social Security legislation of 1935 also contained the Unemployment Compensation program, which provided entitlement benefits to qualified unemployed workers. The Unemployment Compensation program was also based primarily on insurance principles and, except during recessions, has been financed entirely by a flat percentage tax paid by employers on behalf of their employees. In 1995 almost 8 million workers received benefits equaling \$21 billion.<sup>6</sup>

The Social Security Act is the greatest piece of social legislation ever enacted in America. It provides entitlement benefits to the elderly, the unemployed, and many of their dependents. These programs are universal or nearly universal, are financed by taxes paid into reserved accounts, and are somewhat redistributive. They were built to be popular and, therefore, to last. So far, both goals have been achieved, and the popularity of the programs has lasted for more than seven decades.

So popular were these programs, in fact, that Congress significantly expanded them during the 1950s and 1960s.<sup>7</sup> Specifically, a series of legislative actions beginning in 1956 created the Disability Insurance program, which provides cash to workers who become disabled and are no longer able to engage in work. By 1995 nearly 5.9 million disabled workers and their spouses and children received benefits totaling close to \$41 billion. Then, in 1965, Congress created Medicare, the fourth entitlement program in this parade of vital and popular programs that form the backbone of American social policy. Medicare, sup-

ported in part by a dedicated tax, provides health benefits to the qualified elderly and disabled. In 1995 Medicare provided health benefits that cost \$160 billion to more than 8 million beneficiaries.

Four universal programs with redistributive features, four programs with dedicated taxes and accompanying trust funds, four programs directly connected to work, four programs that continue to enjoy huge support from the American public. Taken together, these four programs are the high-water mark of liberalism in America. Although Social Security and Medicare face uncertain futures because of grave financing problems,<sup>8</sup> only a cynic or a grumpy conservative could doubt that the American public is deeply indebted to Democrats for creating these four pillars of American social policy.

But these insurance-based programs have not been the only items on the Democrats' social policy agenda. Since the Great Depression, and more particularly since the 1960s, Democrats—sometimes joined by Republicans—have tried to provide guaranteed benefits to many groups of Americans, not just to those who worked or were in families with workers. Indeed, among the fondest goals of many Democrats was the redistribution of income. Few Democrats have adopted the socialist goal of redistributing the nation's wealth based strictly on individual or family need, but a major component of the liberal soul is a willingness to tax middle-class and wealthy Americans to provide benefits to poor and low-income Americans (and, as it turned out, to resident noncitizens). As Martin Gilens of Yale University has shown, the American public is quite willing to help the poor, perhaps in part because of our tradition as a religious nation.<sup>9</sup> Whatever the reason, for Democrats the very definition of fairness became the willingness to support the poor through income redistribution.

Thus nestled among the seedling Social Security and unemployment programs in the Social Security Act of 1935 was the little welfare acorn called Aid to Dependent Children (later called Aid to Families with Dependent Children). This tiny and inconspicuous program—designed originally to support widows with minor children—grew into the towering oak that is the huge array of federal and federal-state social programs designed to provide benefits and services to the poor. Beginning with President Lyndon Johnson's War on Poverty during the mid-1960s, new social programs and spending on social programs grew dramatically. The three most important new programs were Medicaid, which provides health insurance to the poor; the Food Stamp program, which provides food vouchers to the poor; and the Supplemental Security Income (SSI) program, which provides cash to the elderly and disabled who are also poor, including the families of disabled children.

By the mid-1970s the broad outlines of American social policy were more or less settled. The outline might be thought of as consisting of three tiers. On the top tier were the insurance programs providing universal benefits: Social Secu-

rity, Medicare, Disability Insurance, and Unemployment Compensation. On the second tier were the large entitlement programs for poor Americans: AFDC, Medicaid, Food Stamps, SSI, and a few others. Finally, the third tier consisted of a few hundred programs for poor and low-income individuals and families. Most of these programs were small, and most of them competed with one another for annual congressional appropriations.

This overview would not be complete without a numerical accounting of the second and third tiers. At the beginning of the welfare debate in 1995, House Republicans asked the Congressional Research Service (CRS) and the General Accounting Office (GAO, now the Government Accountability Office) to estimate the number of federal social programs. CRS and GAO counted 336 social programs divided into eight domains; no domain contained fewer than eight programs (cash welfare), and one domain (employment and training) had over 150 programs.<sup>10</sup> Spending on these means-tested programs rose consistently between 1950 and 1995 in constant dollars, from less than \$1 billion to more than \$375 billion.<sup>11</sup> Spending on these two tiers, combined with spending on the social insurance programs in tier 1, brought total spending on social programs to nearly \$900 billion in 1995. There was, in short, a blizzard of social programs and a flood of spending.

Between enactment of the SSI program in 1972 and enactment of welfare reform in 1996, there was a curious stability in American social policy. Existing programs were expanded somewhat and new ones added, but they were small and of little consequence. Nixon's Family Assistance Plan (FAP), which failed in 1971, would have revolutionized American social policy by providing every family with a guaranteed minimum income.<sup>12</sup> Even able-bodied adults who did not work would be "entitled" to receive cash payments from the federal government. Similarly, the Mondale-Brademas child care legislation, which would have established the federal government as a major funder of child care and child development programs throughout the nation, was vetoed by Nixon in 1971.<sup>13</sup> The FAP and the Mondale-Brademas bills were among the last serious attempts to significantly expand the second tier of the welfare state. As surprising as it now seems, the major leadership for the FAP, by far the more radical of the two bills, was provided by a Republican president who was defeated in his efforts by liberals in the Senate who wanted a higher guaranteed benefit level.<sup>14</sup> Thus the central defeat of liberal social policy in America until 1996 was self-administered.

There were also attempts to reform welfare under President Jimmy Carter, but these attempts came to naught.<sup>15</sup> President Ronald Reagan, too, began his presidency with a welfare reform agenda, much of which he actually managed to pass in the budget act of 1981.<sup>16</sup> However, these reforms did not change welfare programs in any permanent way, although they did reduce spending on employment and training programs while simultaneously initiating a series of large-scale

demonstration programs that soon began to show some success in promoting work.<sup>17</sup> The most significant reform tightened the AFDC rules that governed how much welfare money people could keep when they went to work. The effect of this change was to reduce the financial gain from work (because welfare benefits fell quickly as earnings rose) and to force many families that were combining welfare benefits with earnings to leave the rolls. These so-called disregard rules, which stipulated how much of a person's earnings could be ignored ("disregarded"), were later eased so that even this modest Reagan reform was watered down before the end of his presidency.

Despite these modest reforms in welfare law, there were nonetheless portentous developments that set the stage for the big changes of 1996. Throughout this period, one of the two or three welfare issues about which liberals and conservatives argued the most was whether welfare programs induced dependency.

Not surprisingly, given the lack of systematic data, the debate about how public aid affects the motivation to work raged for centuries.<sup>18</sup> However, modern social science has produced strong and consistent evidence that public welfare does reduce work. A thorough 1981 review of these studies by the prominent social scientists Sheldon Danziger, Robert Haveman, and Robert Plotnick confirms that AFDC reduced the hours of work by single mothers.<sup>19</sup>

Evidence on hours worked by welfare recipients, however, is only half of the story. The other half is evidence on whether recipients use welfare as a temporary crutch to overcome a life crisis, such as divorce or sudden unemployment, or whether recipients adopt welfare as a way of life and remain on the rolls for long periods of time. This question was answered definitively by Mary Jo Bane and David Ellwood of Harvard in 1983.<sup>20</sup> Using sophisticated statistical techniques, Bane and Ellwood found that of the recipients on welfare at any given moment, 65 percent would eventually be on the rolls for eight years or more. At its peak in the spring of 1994, the AFDC caseload totaled about 5.4 million families. Bane and Ellwood's results showed that, in 1994, on the eve of the great welfare debate, about 3.5 million adults were in the middle of stays on welfare that had already or would eventually exceed eight years.

Not surprisingly, the Bane and Ellwood study was popular among conservatives and Republicans. E. Clay Shaw Jr. from Florida, the leader of the Republican forces in the congressional battle that led to the 1996 reforms, used a pie chart—with the huge piece depicting the 65 percent on welfare for eight years or more shown in bright red—that graphically depicted Bane and Ellwood results during debates on the House floor. A table based on Bane and Ellwood's research was placed in the House Committee on Ways and Means *Green Book*,<sup>21</sup> a 1,600-page encyclopedia of social programs that is read avidly by congressional staff and other Washington policy wonks and even, it is rumored, by a few members of Congress. In addition, House Republican members frequently used Shaw's fig-

ure in discussions with constituents at town meetings, and several members used the chart during the welfare debate of 1995–96.

Caseload dynamics are not easy to grasp. This fact, combined with the fervid desire of partisans on both sides to make the data fit their view of reality, led to no end of mischief with caseload data. In the end, however, having watched the use of these numbers by politicians since the mid-1980s, I think Bane and Ellwood's finding that 65 percent of recipients were on welfare for eight years or more astounded almost everyone and was the clear winner in the battle for people's understanding of whether dependency was a serious problem. The Bane and Ellwood study is one of the most influential scholarly studies used in a major congressional debate on social policy in the last twenty years or so. Ironically for university scholars, who are mostly left of center, one of their most creative and definitive products was used by Republicans to drive home the point that welfare dependency was real—and as a primary argument in the debate that led to the demise of a major New Deal program. I doubt this outcome is what Bane and Ellwood had in mind when they initiated their study, but like the principled scholars they are, they published their results anyway.

In addition to welfare dependency, another social problem that provoked debate leading to the sweeping changes of 1996 was illegitimacy. Births outside marriage rivaled welfare dependency in the Republican hierarchy of social ills. By 1995 the nation had been subjected to an avalanche of illegitimate births. Led by the ideas of Charles Murray of the American Enterprise Institute and many others, conservatives were intent on making illegitimacy a central issue of the welfare debate.<sup>22</sup> The essence of the conservative position was that the guarantee of welfare benefits—not only cash but also Food Stamps, Medicaid, housing, and many other programs—helped lead young men and women to a reduced state of vigilance in avoiding pregnancy before marriage. There is, of course, a substantial research literature on whether AFDC contributed to illegitimacy, but as might be expected, Democrats interpreted the literature as supporting the position that welfare did not cause illegitimacy,<sup>23</sup> while conservatives interpreted the same evidence as demonstrating that AFDC was clearly related to increased rates of illegitimacy.<sup>24</sup> In my view, primarily because the empirical studies are weak and somewhat inconsistent, the results provide only moderate evidence that welfare is linked with illegitimacy. Of course, conservatives did not allow the lack of strong consensus in the social science literature to dull their claims about welfare and illegitimacy. The argument that guaranteed welfare benefits contributed to increased illegitimacy rates makes sense to most Americans. Coupled with the widely accepted view that illegitimacy has negative effects on mothers and children,<sup>25</sup> the public's agreement that welfare contributed to illegitimacy rates was justification enough for conservatives to label illegitimacy the nation's gravest social problem and welfare its major cause.

As in the case of work and welfare, the value issue was central. Republicans, as well as important Democrats such as President Bill Clinton, discovered that voters responded to the argument that AFDC directly violated the moral precept that only married adults who can provide for the economic and emotional needs of their children should have babies. The fact that traditional rules of marriage and sexuality were being challenged throughout the period does not vitiate the fact that the majority of Americans remained traditional in their judgments about illegitimacy, especially when they saw their tax dollars supporting a system that subverted their values.<sup>26</sup>

There is little doubt that many Democrats also deplored illegitimacy. A classic claim by conservatives is that, beginning in the 1960s, liberals argued that everyone should be allowed to create their own set of values, to do their own thing.<sup>27</sup> Whatever the truth about this claim, it is certain that by 1995 few members of Congress thought illegitimacy was simply a matter of individual expression. On the contrary, both Democrats and Republicans were greatly concerned about the causes and consequences of illegitimacy. In fact, President Clinton had been more outspoken than any other president about the tragedy of illegitimacy; he was even given to stating flatly that it was “wrong” for young people to have children outside of marriage whom they could not support. Speaking to the National Baptist Convention in 1994, Clinton said, “[too many] babies will be born where there was never a marriage. That is a disaster. It is wrong. And someone has to say, again, it is simply not right. You shouldn’t have a baby before you’re ready, and you shouldn’t have a baby when you’re not married. You just have to stop it. We’ve got to turn it around.”<sup>28</sup>

Thus, although conservatives were successful in making illegitimacy a major part of the welfare reform debate, at least part of their success was attributable to the fact that many Democrats were in substantial agreement that illegitimacy was a major problem and that the consequences were bad for both the mother and the child. Democrats, however, were less willing than Republicans to single out welfare programs as a major cause of illegitimacy, let alone use illegitimacy as the rationale for major changes in welfare programs.

A minor problem in the conservative rhetoric about illegitimacy was that no one knew of any policies that had been shown by solid evidence to increase abstinence, reduce pregnancy among single women, or promote marriage.<sup>29</sup> Even the studies on attempts to reduce second pregnancies were discouraging.<sup>30</sup> Undaunted, Republicans argued that the best approach was to do everything possible to attack the problem, especially by rewarding states that tried new approaches and even by cutting off some or most of the welfare benefits of unmarried teens who had babies. So great was the problem, and so serious the consequences, that conservatives insisted on trying as many approaches as possible to reduce illegitimacy, including policies that could and would be portrayed by Democrats as cruel.



The Republican focus on illegitimacy was a great irony. The first scholar to bring national attention to the problem of mother-headed families and the growing crisis of nonmarital births was Daniel Patrick Moynihan, who later was elected as a Democratic Senator for New York.<sup>31</sup> In 1965, while an obscure official in the Department of Labor, Moynihan had written an incendiary report arguing that the major reason black Americans were not making more economic and social progress was the weakness of the black family. Too many black children were being reared in female-headed families, with devastating consequences for their development. Moynihan's report carefully reviewed the evidence on the rapidly growing incidence of nonmarital births among blacks and deplored the trend in unequivocal terms. Blacks were thus not ready to seize the opportunities then being presented by the recently enacted civil rights legislation.<sup>32</sup> Nor, according to Moynihan's thesis, would blacks be prepared to make the most of their chances until illegitimacy declined and two-parent families became the norm.

The reaction to the Moynihan report was explosive.<sup>33</sup> The report was debated inside the White House and Congress, on the nation's editorial pages, in the nation's leading journals, and among scholars. But little was actually done to address the problem of single-parent families. In 1969 Congress passed a law intended to slow the rise in unwed motherhood. The measure imposed a freeze on federal funding for the share of children in a state who received AFDC because of illegitimacy or desertion. Highly controversial, the freeze never took effect. By contrast, in the years following the Moynihan report, there was an outpouring of spending and a proliferation of social programs as the nation attempted to fight poverty through government spending. The federal government created education and training programs, nutrition programs, health programs, housing subsidies, community development programs, and a host of other programs designed to reduce poverty. The government tried everything, in short, except creating programs to reduce illegitimacy and promote marriage. But in 1995 Republicans began attempting to establish programs to address family composition, the very problem identified three decades earlier by Moynihan as the nation's leading social problem. At the time of Moynihan's report, about 25 percent of blacks were born outside marriage; by 1995 the figure was pressing 70 percent and the figure for whites was nearly the same as the figure for blacks in 1965. If a black illegitimacy rate of 25 percent is a crisis, what is the word for 70 percent? Clearly, it was undeniable that the problem identified by Moynihan as critical had grown much worse by 1995.<sup>34</sup> And yet Moynihan became perhaps the leading opponent of the Republican welfare reform legislation.

Another underlying factor of the gathering movement to reform welfare was a remarkable increase in attention to welfare and related issues by conservatives. Charles Murray's revolutionary book *Losing Ground*, published in 1984, caused

a huge stir during this period, but his shocking recommendation to end welfare programs cold turkey was never pursued as a serious policy option, even by conservative Republicans.<sup>35</sup> Even so, Murray became relentless in arguing that welfare, far from helping the poor, actually caused them all sorts of problems, including illegitimacy. In 1993 Murray published a long op-ed piece in the *Wall Street Journal* in which he linked welfare to the rise of illegitimacy among both blacks and whites and specifically labeled illegitimacy as “the single most important social problem of our times.”<sup>36</sup> Murray accorded this dubious honor to illegitimacy because it was, he claimed, a prime cause of all the major social problems faced by the nation including “crime, drugs, poverty, illiteracy, welfare, [and] homelessness.” This article had an electrifying and energizing effect on Republican politicians in Washington, especially in the House of Representatives. Murray’s work was to create huge fights among Republican welfare reformers over the issue of strong, indeed unprecedented, policies to attack illegitimacy. These intraparty fights became so raucous that they threatened to split the Republican coalition and kill welfare reform. More broadly, Murray’s work and the reaction to it created the view among conservatives—and even a number of moderates and liberals—that something was fundamentally wrong with welfare. Murray’s work also had a stimulant effect on conservative thinkers and activists. In the long run, his most important contribution may have been to bring renewed respectability to conservative thinking about the causes of poverty and the effects of welfare programs and to stimulate other conservatives to think and write about welfare.

A good example, although not as colorful as Murray’s controversial book, is Larry Mead’s *Beyond Entitlement*, published in 1986.<sup>37</sup> Mead, a professor of political science at New York University, proposed a solution to welfare dependency that was to have immense influence. Mead argued that the poor needed aggressively administered and authoritative welfare programs to force them to adopt appropriate behaviors. The most important such behavior, of course, was work. Mead argued, while cleverly marshalling empirical data to support his claims, that welfare-to-work programs with clearly stated requirements backed by tight administration and quick sanctions would help many recipients enter the workforce and reduce their dependency on welfare. Policies like this that provided welfare recipients with punishments or inducements to meet certain standards of behavior came to be called the “new paternalism.”<sup>38</sup>

Work became the cannonball of the Republican welfare reform agenda, blasting straight ahead through all obstacles. As other issues—time limits, block grants, illegitimacy, child care—developed, work remained the central issue of the debate. Beginning as early as the 1960s, Republicans extolled the virtues of work as the antidote to welfare dependency. In doing so, Republicans were squarely within a tradition of welfare reform going back at least as far as Victo-

rian England, in which conservatives held that work was redemptive. Work required consistency, schedules, alarm clocks, routines, cooperation, self-discipline—all the traits, in short, that conservatives believed would rescue welfare recipients from the companions of sloth, including booze, idleness, illicit sex, and hanging out.<sup>39</sup> Moreover, in the modern American context, conservatives argued that work was easily available and would inevitably—especially when combined with government programs designed to provide support to low-income working families—lift the poor out of poverty.<sup>40</sup>

This agenda was greatly strengthened by the high-quality studies on welfare-to-work programs conducted by scholars and by large research organizations that began to make their appearance during this era. One of the most impressive organizations of this type was the Manpower Demonstration Research Corporation (now named MDRC).<sup>41</sup> In setting the standard for policy research, MDRC's studies incorporated all of the hallmarks of scientific evaluations: random assignment to an experimental and control group, large sample sizes, experiments conducted under field conditions, multiple outcome measures, and benefit-cost analyses.<sup>42</sup> The basic results were unequivocal. Exactly as Mead had predicted, welfare-to-work programs that emphasized job search and were tightly administered produced significant increases in employment and earnings and decreases in welfare rolls, although they had only modest impacts on total family income. The impacts may not have been huge, but they were consistent. Such programs were also generally cost beneficial; that is, they saved more money than they cost to run.<sup>43</sup>

Seldom has social science presented a clearer case to policymakers: aggressively conducted work programs produce clear effects on caseloads, employment, and spending. This consistent result gave a strong impetus to mandatory work programs for mothers on welfare, an impetus that was reinforced by the increasing labor force participation of mothers who were not on welfare. Beginning with the debate on the Family Support Act of 1988, conservatives adopted the mantra "What works is work." Here was a message that resonated with both policymakers and the American public.

That the details of work programs were vital is amply demonstrated by the welfare reform debate of 1987–88, which led to passage of the Family Support Act in 1988. Democrats were forced by the research showing that work programs were effective, and also by the popularity of work with the American public, to support the need to encourage work. Republicans believed, however, that the Democrats' commitment to work was paper-thin, as shown by the history of federal welfare reform legislation "requiring" work. The Work Incentive (WIN) program, established in 1967, was a typical example. The original WIN law said that states must require "appropriate" AFDC mothers to register at labor department job centers. But program regulations stated that unwilling mothers could

not be required to work ahead of several other categories of workers. The 1967 law also provided work incentives to mothers who worked by ensuring that they did not lose a dollar of benefits for each dollar they earned. In 1971 Congress replaced the “appropriate person” rule with a requirement that most AFDC mothers register for work when their youngest child reached age six. However, so many AFDC recipients were exempt and so few recipients were penalized for ignoring the requirement that most welfare offices continued the routine operation of determining eligibility and writing checks; the WIN program barely had an impact. By 1987, WIN funding had declined to \$110 million from its peak of \$365 million in 1981.<sup>44</sup>

Although Republicans attempted to make work the centerpiece of welfare reform in 1988, Democrats expanded welfare benefits, particularly by requiring all states to provide AFDC coverage to two-parent families in which a parent was unemployed.<sup>45</sup> Republicans were not united against expanding welfare to two-parent families, but in my experience more Republicans opposed than supported the policy because it expanded welfare, even though providing welfare to one-parent but not two-parent families could be portrayed as antimarriage. After two years of rancorous debate, especially in the House, Congress settled on a compromise bill that Republicans believed leaned distinctly to the left. More specifically, there were no work requirements imposed on single parents, who constituted about 95 percent of the AFDC caseload.<sup>46</sup> Rather, the legislation established the Job Opportunities and Basic Skills Training program (JOBS), which provided states with around \$1 billion a year to help adults leave welfare by joining the workforce. States were given mandatory participation standards, but “participation” was broadly defined to include education, training, and job search. To illustrate just how insignificant the work requirements were, by 1994, six years after enactment of the JOBS program, about 36,000 of the 5 million adults on AFDC—less than 1 percent of the caseload—were in work or job search programs.<sup>47</sup> On the other hand, the 1988 law did allow states to require mothers with preschool children as young as three years old to participate and gave states leeway to impose strong work requirements. Yet few governors, including few Republican governors, did so.

In the end, the Family Support Act did not provide a resounding victory for the principles being pursued by either Democrats or Republicans. Because all of the major programs remained intact and were actually expanded somewhat, because about half of the AFDC caseload was exempt from any participation requirement, because virtually no one was required to actually work, and because day care and Medicaid were guaranteed for adults on AFDC who participated in jobs programs and, for a transitional period, for those who left the rolls, Democrats should be accorded an edge on the partisan tally sheet. For Republicans, the bill at least had participation standards that required states to involve mothers in

some type of constructive activity, even if the activity was preparation for work rather than work itself. The idea that states should be required to involve a specific percentage of their caseload in some activity turned out to be the model for federal provisions that could dictate the way states dealt with their caseload. Moreover, the 1988 law required states to place an increasing percentage of their two-parent caseload in an actual work program for a minimum of sixteen hours a week, but states did not need to implement this requirement for five years. Even so, these modest changes in AFDC law, accomplished under a Democratic House and Senate, showed that the ice was beginning to crack. Personal responsibility was beginning to make inroads on the claim that able-bodied recipients who did not work had an entitlement to welfare benefits.

These inroads on entitlement welfare were expanded by a series of reports issued by several influential groups during the mid- to late-1980s. In 1986, under the sponsorship of the Bradley and Olin Foundations, Michael Novak and Doug Besharov of the American Enterprise Institute in Washington organized a group of twenty policy intellectuals, including several with government experience, to examine welfare programs and make recommendations for reforming welfare. Called the Working Seminar, the group was composed of left-of-center policy experts such as Robert Reischauer, Alice Rivlin, Barbara Blum, and Franklin Raines as well as right-of-center figures such as John Cogan, Charles Murray, Larry Mead, and Glenn Loury. After approximately a year of discussions, commissioned background papers, and several meetings, the seminar recommended substantial, even radical, reform of welfare programs, especially the AFDC program.<sup>48</sup> In fact the recommendations uncannily anticipated several major provisions of the 1996 reform legislation.

The seminar's report began by emphasizing the importance of welfare dependency and other behavioral dysfunctions. Although no government program could by itself solve these problems, the report argued, federal, state, and local governments had been assigned fundamental tasks that, although limited, were indispensable to the common good.<sup>49</sup> Clearly, because some of the nation's leading conservatives were members of the Working Seminar, this endorsement of government's role in helping poor people find work and of supplementing their income showed that many leading conservatives recognized the important role government must play in welfare reform. In part, perhaps, conservatives agreed to this definitive statement of government responsibility because the report also emphasized the role that the private sector, including religious organizations, should play in emphasizing personal responsibility as an antidote to behavioral dysfunction. The report went on to recommend mandatory work requirements, sanctions for not fulfilling work requirements, and time limits on cash welfare benefits. The report strongly recommended that more authority be shifted to the state and local levels and that states continue to experiment with innovative pro-

grams. Every one of these recommendations became central features of the 1996 welfare revolution.

One of the most important and interesting sections of the report compared the Working Seminar's approach and conclusions on welfare reform with the approach and conclusions of reports that had been issued during the previous year by four other commissions: the American Public Welfare Association; the Project on the Welfare of Families, co-chaired by Governor Bruce Babbitt of Arizona and former Republican secretary of the Department of Health, Education, and Welfare Arthur Flemming; the Task Force on Poverty and Welfare appointed by Governor Mario Cuomo of New York; and President Reagan's Low Income Opportunity Board.<sup>50</sup> Each of these reports focused on welfare dependency as a primary problem, stressed the connection between welfare benefits and reciprocal obligations by recipients, emphasized policies to strengthen personal responsibility and self-reliance, and examined ways to make AFDC temporary.

The report from the Working Seminar, as well as the reports from other groups representing several points along the political spectrum, shows that the big issues, including mandatory work and time limits, were clearly on the table almost a decade before the welfare reform debate of 1995–96. Moreover, a prestigious group of conservative and liberal policy intellectuals endorsed the major policy proposals that were to create such havoc in Congress and between liberals and moderates within the Democratic Party nearly a decade later. Perhaps it is too much to claim, as the Working Seminar report did, that there was “consensus” on welfare reform provisions such as time-limited benefits, mandatory work with sanctions, and major devolution of responsibility to states. It does seem fair, however, to conclude that both liberal and conservative policy intellectuals were convinced that welfare dependency and other behavioral problems were the major issues that had to be addressed by welfare reform. At the very least, there was a willingness to seriously consider radical reforms.

For those who doubt this formulation, consider four examples of liberal and centrist Democrats who were well aware of how far federal social policy had departed from American values and how radical the reforms might become. The first example is President Bill Clinton—or rather, presidential candidate Bill Clinton—who saw clearly that several liberal policies were alienating voters. During the presidential campaign of 1992, Clinton put this knowledge to good use in developing campaign themes, particularly regarding welfare. One of the most popular themes of his campaign was “ending welfare as we know it.”<sup>51</sup> That a prominent Democratic presidential candidate would use this theme is surprising. Even more surprising is the fact that a Democratic politician realized the political effectiveness of abandoning positions long held by liberals and even the advantages of attacking those same positions. For liberals who wanted to defend or expand the means-tested pillar of the welfare state, candidate Clinton

and then President Clinton was a dangerous man. His historic mission seemed to be to reposition the Democratic Party as centrist or even somewhat right of center on vital issues like welfare reform, trade, and spending.

David Ellwood's ground-breaking book *Poor Support* is a second indication that many liberals were aware that the welfare state was flawed and needed reform.<sup>52</sup> Although Ellwood would be pilloried by the left for his scholarly work on welfare reform, as well as the leading role he played in the Clinton administration's welfare reform efforts,<sup>53</sup> *Poor Support* was a serious and creative attempt to transform AFDC into a program that could provide entitlement benefits while simultaneously addressing the problem of dependency. Ellwood came under fire from the left because he was one of the first liberals to recommend time limits on AFDC.<sup>54</sup> Of course, Ellwood also insisted that time limits would only be appropriate if accompanied by a federal guarantee of a job for recipients who reached the time limit. Another of the major items on the Ellwood agenda, subsequently adopted by President Clinton, was "making work pay." For Ellwood, the cornerstone of making work pay was significant expansion of the Earned Income Tax Credit (EITC), a program that gave cash to low-income workers with children through the tax system.<sup>55</sup> Unlike his liberal critics, Ellwood played a major role in both providing the intellectual justification for an EITC increase and then helping President Clinton to propose, and members of Congress to support, the increase, which they did by enacting a major expansion in 1993. Ellwood must be given a share of the credit for putting the tidy sum of nearly \$15 billion a year in cash into the pockets of poor and low-income working Americans (compared with the pre-1993 EITC law).<sup>56</sup>

A third example is provided by Christopher Jencks of Harvard, one of the most widely respected of the liberal scholars who study social policy. As early as 1992, Jencks would write: "Until liberals transform AFDC, so that it reinforces rather than subverts American ideals about work and marriage, our efforts to build a humane welfare state will never succeed."<sup>57</sup> Jencks went on to argue, like Ellwood, that an important part of the solution to welfare was to make work pay, a proposition that came to play an important role in the welfare debate. Jencks's writing about the cultural contradictions of AFDC cut right to the heart of the matter: AFDC was un-American. In this understanding, Jencks was eventually joined by a host of state and federal Democratic policymakers. When the moment of truth arrived in 1995, AFDC had few defenders.

The fourth indication of the growing perception among liberals that AFDC was a failure was freelance writer Mickey Kaus's seminal book *The End of Equality*.<sup>58</sup> Kaus's subject was considerably more than welfare, but his welfare chapters touched on and accepted, at least in part, nearly all the claims about welfare that were standard fare for conservatives. In particular, Kaus granted that welfare played an important, though by no means exclusive, role in the breakdown of the

family and the rise of illegitimacy, in the creation of the “ghetto underclass,” and in the decline of work in the underclass.

Kaus’s radical solution was to condition not just AFDC, but Food Stamps as well, on work. Under Kaus’s system, all able-bodied adults would either work or lose most of their welfare benefits. If they could not find their own job, government would give them one. The larger issue addressed by Kaus was that of social inequality and its growth in America. Because he viewed the growth of social inequality as the most important issue of our times, Kaus’s book is a search for the policies that would promote social equality. Work is one of the experiences that all classes in society should share. Moreover, Americans place a high value on adults who work hard to support themselves and their children. As a result, any group that becomes known for nonwork is, by definition, unequal to working Americans. Government support for nonwork exacerbates the problem of social inequality both because it encourages nonwork and because productive citizens resent being forced to support those who so conspicuously flout the value Americans place on work and self-support. Promoting work by welfare-dependent adults would, in Kaus’s view, strike a major blow against social inequality.

Next to Murray’s proposal to end welfare altogether, Kaus’s was the most radical welfare reform idea put forth by any major figure. It would have ended much more than merely the AFDC entitlement. Liberals ferociously attacked Kaus’s proposal because it would virtually end welfare for anyone who refused to work.<sup>59</sup> Conservatives cited the proposal incessantly because they were only too happy to argue that “even liberals” admit that AFDC must be abandoned and that mandatory work is the best replacement. Because most conservatives rejected the idea of big government guaranteeing jobs, however, they were reluctant to fully support Kaus’s proposal.

Besides adding to the building momentum for reform, Kaus’s break with the traditional liberal agenda represented an important symbolic victory for the conservative reform movement. Kaus had served as a senior writer for the *New Republic*, the leading intellectual and cultural journal of the left for most of the century. Indeed, one of the founders of the *New Republic* was Herbert Croly, a dominant liberal thinker during the Progressive Era and the author of *The Promise of American Life*, a prime document of American liberalism.<sup>60</sup> Despite this background, the editors of the *New Republic* supported Kaus and endorsed his radical reform proposal, which first appeared in its pages in 1986.<sup>61</sup> Later, in July 1996, as the crucial welfare votes in Congress approached, the *New Republic* urged both Congress and President Clinton to support the Republican welfare reform legislation.<sup>62</sup> It would be impossible to think of more striking evidence that important elements of the American left recognized the serious problems of AFDC and the need for a change in the entitlement mentality that had been



almost the *sine qua non* of American liberalism. Some disillusioned liberals must have thought that Herbert Croly turned over in his grave the day the *New Republic* endorsed the end of entitlement and the beginning of mandatory work.

In his State of the Union message to Congress in 1935, the year he signed the Social Security Act, President Roosevelt stated flatly that welfare was a “narcotic” and “a subtle destroyer of the human spirit” that “induces a spiritual and moral disintegration fundamentally destructive to the national fibre.” “Work must be found for able-bodied but destitute workers,” he said.<sup>63</sup> He went on to say that the nation “must and shall quit this business of relief.” Simply put, Roosevelt knew that welfare created the moral hazards that can induce nonwork among its recipients. What he probably did not know was that something very much like a culture could and would grow up around lives based on permanent welfare and fatherless families.<sup>64</sup> For over half a century, American policy for helping the poor ignored Roosevelt’s injunction to quit the business of relief. Indeed, the nation did quite the opposite by building a large means-tested welfare state. Worse, until recently, the nation’s welfare programs required almost nothing from their beneficiaries except nonwork and continued destitution. As Kate O’Beirne, now with *National Review*, was to put it in testimony before the Ways and Means Committee during the great welfare reform debate of 1995, “Spend more and demand less.”<sup>65</sup> O’Beirne’s pithy statement could serve as both the watchword and the epitaph for the liberal welfare state that was about to implode.

By 1996, most Americans, nearly all elected Republicans, and many (if not a majority) of elected Democrats came to believe that Roosevelt’s fears and predictions had been proven correct. As a result, Congress and the president took a giant step in the direction of forcing adults to behave more responsibly by making welfare contingent on preparing for, seeking, and actually entering employment. National policymakers also put the force of the federal government behind a movement to encourage more responsible sexual behavior and sent a much clearer message than in the past that it was wrong to have children outside marriage whom single parents could support neither emotionally nor financially.

Why did the nation ignore Roosevelt’s precautions for so many years and why did the nation make a complete U-turn in 1996? That the nation had created a massive welfare state that annually provided hundreds of billions of dollars in benefits to millions of poor and low-income Americans, often on an entitlement basis, is beyond dispute.<sup>66</sup> That the nation was spending more and more money on these programs without adequate compensating benefits is very likely. Although the programs had, over the years, helped millions of Americans survive a personal crisis and even in many cases get back on their feet following unfortunate life events, the programs also reduced work among young parents, subsidized a shocking increase in the number of illegitimate births, promoted intergenerational dependency on welfare,<sup>67</sup> contributed to the rearing of a huge

and growing proportion of the nation's children in fatherless families, and stifled the development of children growing up in welfare-dependent and fatherless families.

Democrats, usually with help from Republicans, created welfare programs in the name of compassion for the unfortunate and because of the tradition of *noblesse oblige*. To some extent, Democrats gained politically from being the party of welfare, but the rewards for being the party of social insurance were much greater. Further, when it seemed to become a liability to support welfare entitlements, many Democrats continued their quest not just to defend, but actually to expand, them. They continued their support right up to and even after the turning point of 1996. This record suggests that Democrats were motivated primarily by the desire to protect people, especially children, from the ravages of poverty, even if the poverty was often of the parents' own making.

Chance played an important role in the history that I have traced. In 1935 Roosevelt may have been one of the few people who believed that "relief" posed a moral hazard. The typical welfare beneficiary at the time was a widow, and the incipient AFDC program was small. But two demographic events left the growing program exposed as a cultural outlier. First, the years after 1960 produced a relentless increase in the number of mothers entering the workforce. That working mothers, millions of them single, should work to pay taxes so that other single mothers could stay home with their children proved to be a highly unstable political situation. Second, every uptick in the number of mothers entering the workforce was matched by an increase in the number of illegitimate births. For many Americans, that mothers who failed to work were also violating fundamental American values about responsible sex and responsible parenting further jeopardized programs widely perceived to support both nonwork and irresponsible parenthood.

These trends inevitably produced a moment of reckoning. Why this moment came in 1996 is impossible to explain fully, but the coincidence of six conditions played an important role. The first was the apparent failure of the 1988 Family Support Act, signaled so clearly by a rapid expansion of the welfare rolls in the years immediately following the enactment of the new law that would, as Democrats argued, put welfare mothers to work. The second was a Democratic president who supported serious reform and indeed was the most effective politician of his time in publicizing both the problems of welfare and potential solutions. Third, just as the Democratic president was giving credibility to traditional conservative claims about the defects of welfare and proposing solutions no national Democrat had ever proposed, Republicans seized control of both chambers of Congress for the first time in forty years. Fourth, when Republicans took over Congress in 1995, members on the most important committees of jurisdiction over welfare programs in the House of Representatives had a comprehensive

welfare reform bill ready to introduce. Fifth, in something of a turnaround for the Republican Party, a group of Republican members in the House, all of whom had been working together for a year and several of whom had been working together for three years, had both the expertise and the determination to push the bill through the legislative process. Sixth, Republican control of Congress was matched by Republican control of the nation's governorships. Several of these Republican governors were devoted to and experienced in welfare reform and worked tirelessly to support the Republican bill in Congress. These conditions ensured that President Clinton would have the opportunity to sign a major reform bill. As it turned out, he had three opportunities, the last one of which he grabbed. The days of tireless tinkering with welfare were over; the nation was set on a course of deep reform, the results of which are still being determined.

Let us now trace this history in detail.