The Deserving Poor, the Family, and the U.S. Welfare System

PAA Presidential Address

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Acknowledgments

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What This Talk Is About

• Instrumental Variables
• Standard errors
• Theories of Causality
• Counterfactuals and Choice of Comparison Groups
• Methods of Estimation and Computer Algorithms for solving estimation problems
• Just Kidding

• This talk has nothing whatsoever to do with that (sorry to disappoint)
What it is about:

Has the U.S. been getting more generous or less generous in its total support of the poor over the last 20 or 30 years?
And Second Question:

Given whatever changes in total support have occurred, has the distribution of that support changed?
Question One: Trends in the generosity of the U.S. safety net over the last 20-30 years
• Social Security Retirement

• Unemployment Insurance

• Aid to Dependent Children (later: AFDC)
Expenditures in 2007

- Social Security Retirement: $485 billion
- Unemployment Insurance: $30 billion
- TANF (successor to AFDC): $12 billion
- Social Security Disability: $99 billion
The Great Expansion: 1964-1975

• 1964: Food Stamps
• 1965: Medicare and Medicaid
• 1966: School Lunch and Breakfast Programs
• 1972: Supplemental Security Income (SSI)
• 1975: Women, Infants, and Children Program
• 1975: Earned Income Tax Credit (EITC)
After the Great Expansion?

- **1971:** Nixon welfare reform plan failed
- **Late 1970s:** Carter’s welfare reform plan failed
- **1980:** Ronald Reagan elected President
- **1984:** Charles Murray publishes *Losing Ground*
- **1988:** George H. Bush expansionary welfare reform program is ineffective
- **1996:** Democratic President presides over the most contractionary welfare reform in modern U.S. history
Real aggregate safety net spending rose rapidly after mid-1980s.

- 1975: 60% growth
- 1986: 25% Growth
- 2007: 74% Growth
Spending growth for welfare programs without Medicaid was also rapid.

- 89% Growth
- 135% Growth
- No Growth
AFDC spending was slashed after 1996
But SSI spending grew rapidly after 1990.
EITC spending grew rapidly from the late 1980s to the late 1990s.
The Child Tax Credit came in in the late 1990s.
Food Stamp spending grew unexpectedly in the 2000s.
Who Did These New Benefits Go To?

- Supplemental Security Income: Aged, Blind, and Disabled
- Earned Income Tax Credit: Families with Earnings ($10,000-$20,000)
- Child Tax Credit: Only if the family has significant taxable income
- Food Stamps: $5/day/person
Question 2: Distribution

- Survey of Income and Program Participation
- 1983-2004
- Look at total benefits received from all programs except Medicaid and Medicare
Average per family monthly transfers to older adults rose from 1983 to 2004.
They also rose for families with disabilities

Older Adults  Families with Disabilities

They also rose for the others but increase was tiny in magnitude.

Older Adults

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<th>Year</th>
<th>1983</th>
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Families with Disabilities

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Neither

<table>
<thead>
<tr>
<th>Year</th>
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But they fell for single-parent families, and the childless receive very little.
Per family average total transfers fell for those without a full-time employed adult.
Definition of Private Income

Sum of:

1. Family Earned Income and
2. Private Unearned Income (most have very little)
If we classify transfers by levels of Private Income:

1. 50% of Poverty Line
2. 50% - 100% of Poverty Line
3. 100% - 150% of Poverty Line
4. 150% - 200% of Poverty Line
Transfers fell for the worst off single-parents and rose for the better off.
The same thing happened for married-parent families:

Income Less than 50% Poverty Line

Income Between 50% and 100% Poverty Line

Income Between 100% and 150% Poverty Line

Income Between 150% and 200% Poverty Line
And for childless families, although the amounts were small.
Average transfers fell 7% for married childless, but 20% for unmarried childless.
Mean Monthly Per Family Transfers in 2004 (Private Income Less than 50% of Poverty Line)

- U.S. Born: $882
- Not U.S. Born: $716
- U.S. Citizen: $890
- Not U.S. Citizen: $462
Redistribution

Non-Aged, Non-Disabled ➔ Aged & Disabled

Single Parent Families ➔ Married Parent Families

Poorest Families ➔ Barely Poor & Almost Poor Families
Leading to Greater Inequality of Government Support within the Low Income Population

• 1983:
  – Poorest families received 56% of all transfers to families below 200% of the poverty line
  – 44% to those higher up

• 2004:
  – Poorest families received 32% of transfers
  – 68% to those higher up
Caveats and Concerns

• Medicaid?
  – But health insurance is not disproportionately concentrated on the poor

• Great Recession?
  – All families shared in the increased government support
  – Does not change the long-term trend

• Reverse causality?
  – Research shows only a small effect of programs on increasing poverty
The Deserving Poor

Iceland
Jencks
Katz
Patterson

“Pauperism”
In 1942, widows and wives of husbands with disabilities were 49% of the AFDC caseload.
By 1992, unmarried mothers were 58%
What should be done

• No need to reduce support to older adults, families with disabilities, or those with earnings

• Just need to figure out a way to help those at the bottom who are making an effort

• Training, (better) work requirements, (better) child care, etc.

• And need more short-term help than is being provided now
• What were the effects of the reduction in public transfers to the poorest families?
  – On Adults?
  – On Children?
Key Findings (Reprise)

• From 1976 to 2007, per capita transfers on safety net programs rose by 74%

• But there was a dramatic redistribution within that growth

• From the poorest families to those with those a little better off

• There are 2.5 million very poor single parent families: their average receipt fell by 35% from 1983 to 2004

• While single mothers just above the poverty line saw transfers increase by 74% over same period
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