

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

PAA Presidential Address

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- My son, Nathan

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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:

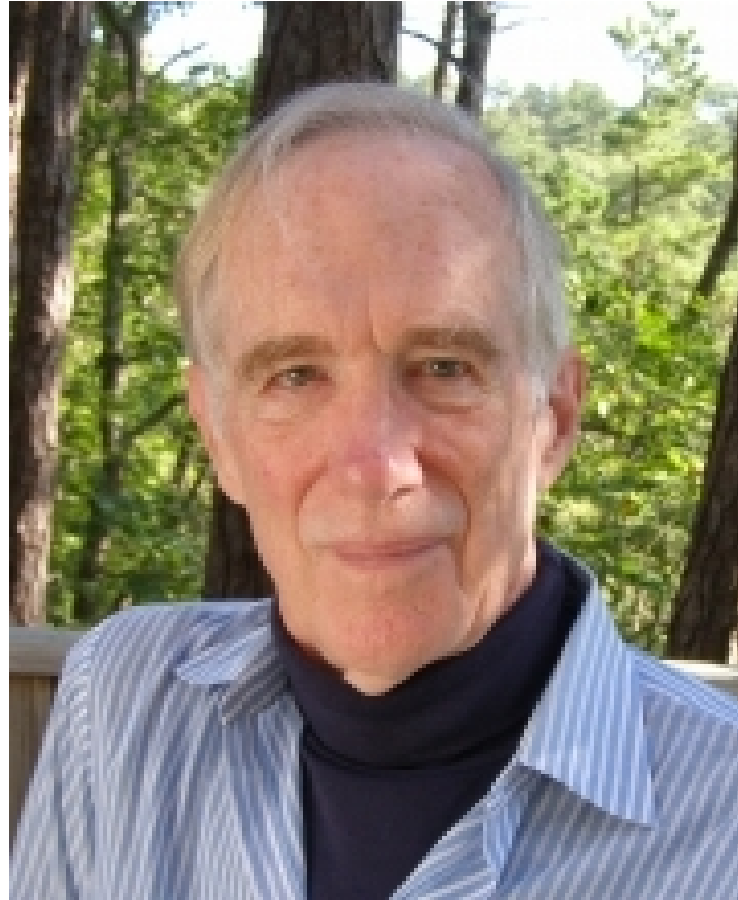
Has the U.S. been getting more generous or less generous in its total support of the poor over the last 20 or 30 years?

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

1935

- 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

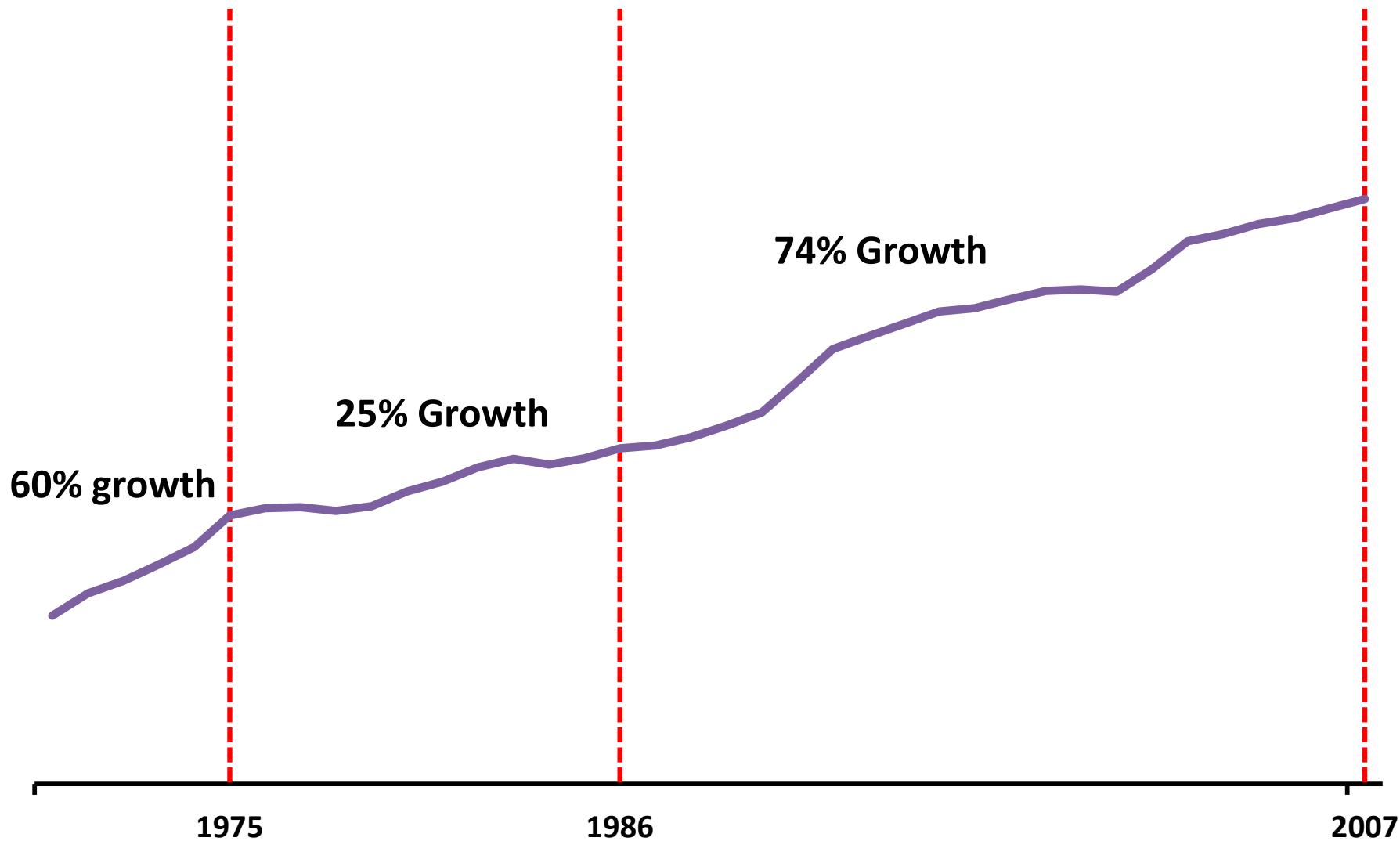
The Great Expansion: 1964-1975

- **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)

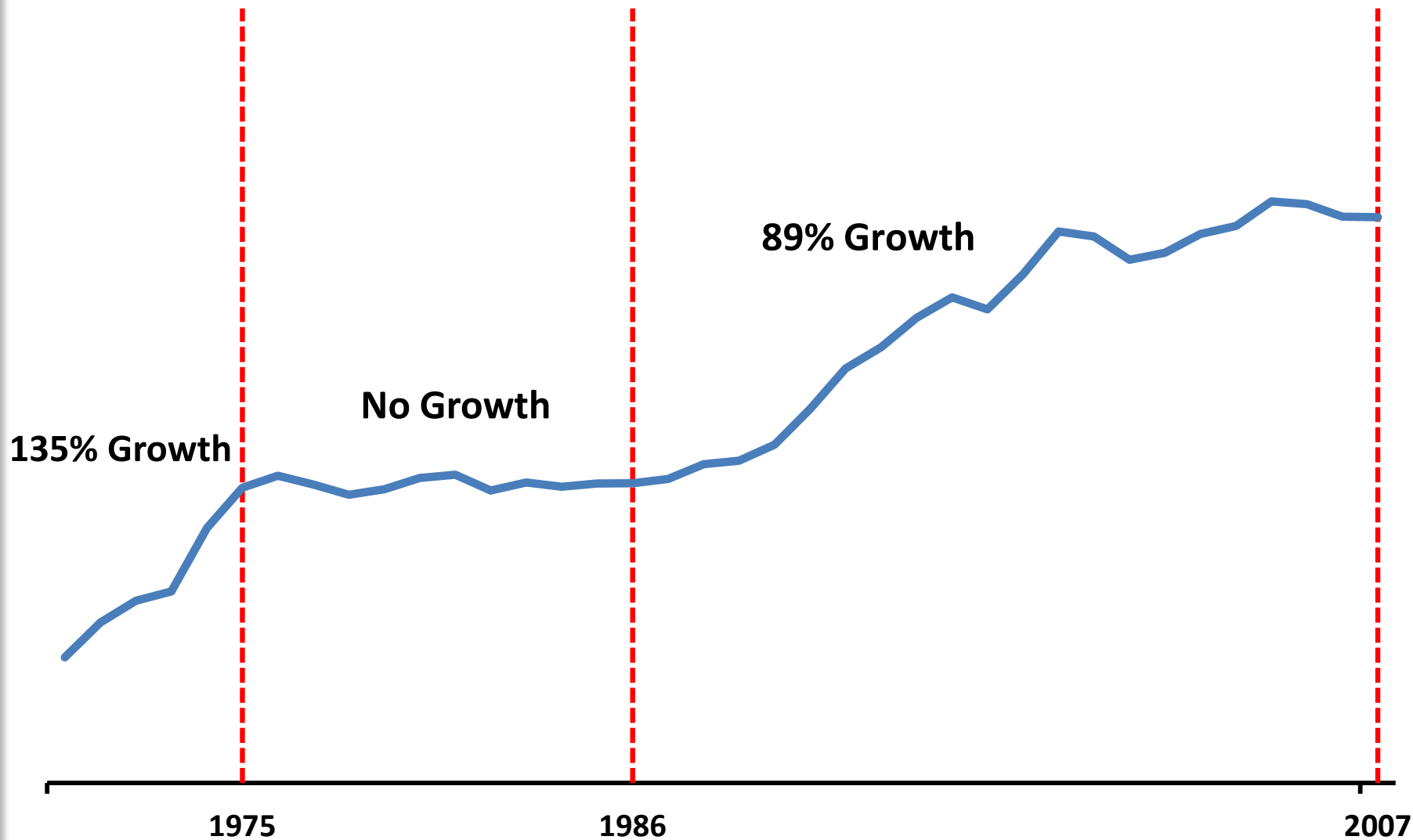
After the Great Expansion?

- **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

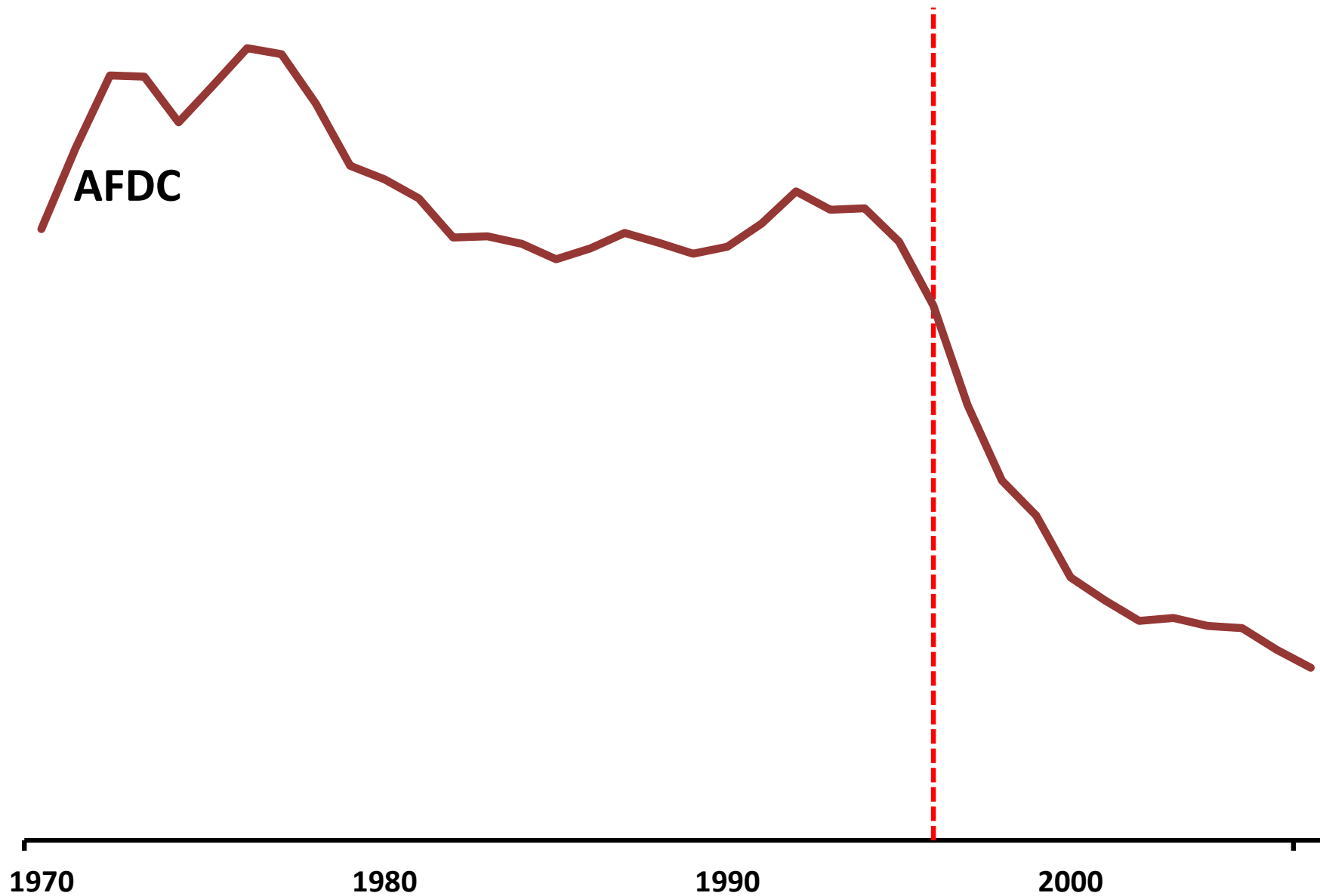
Real aggregate safety net spending rose rapidly after mid-1980s



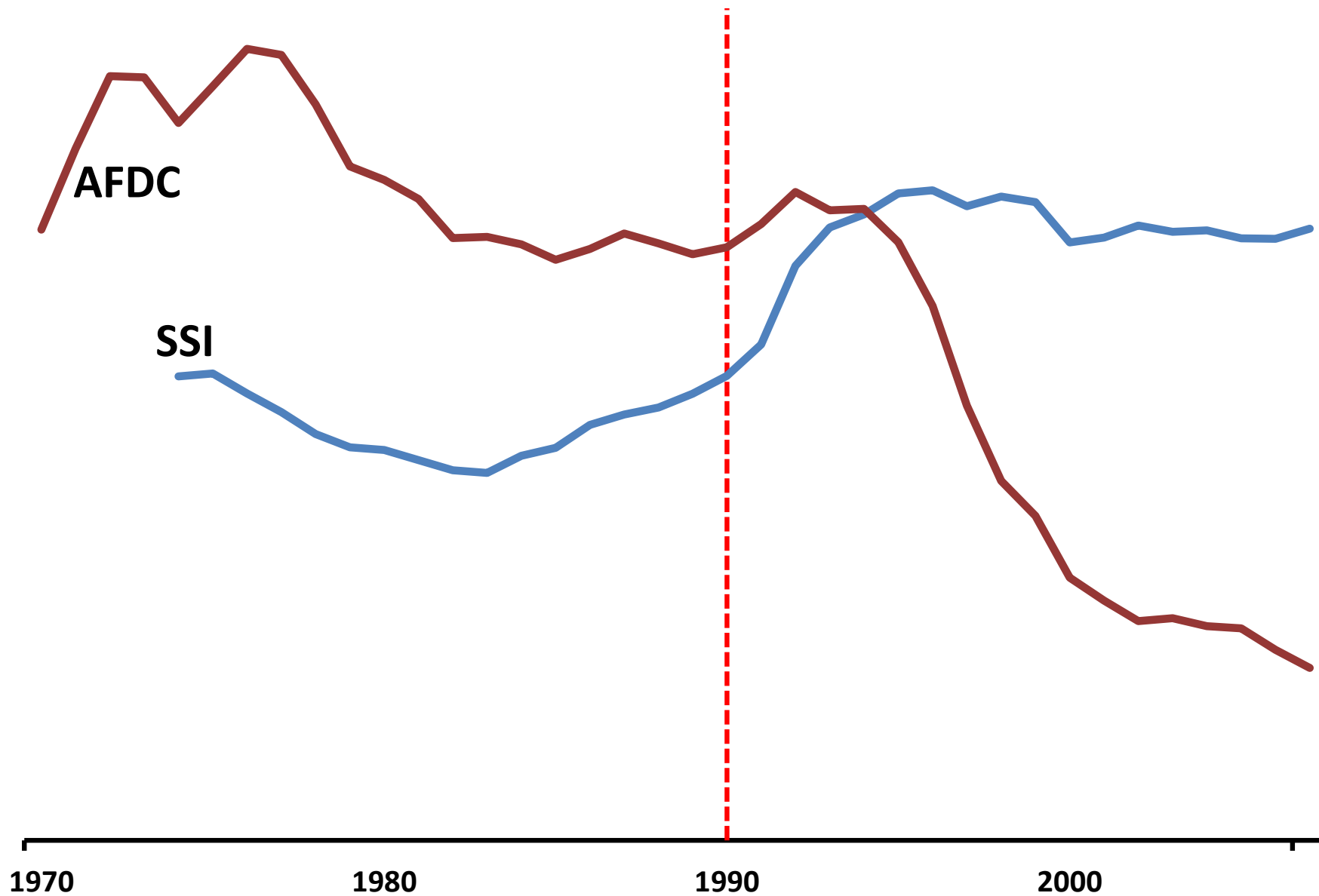
Spending growth for welfare programs without Medicaid was also rapid



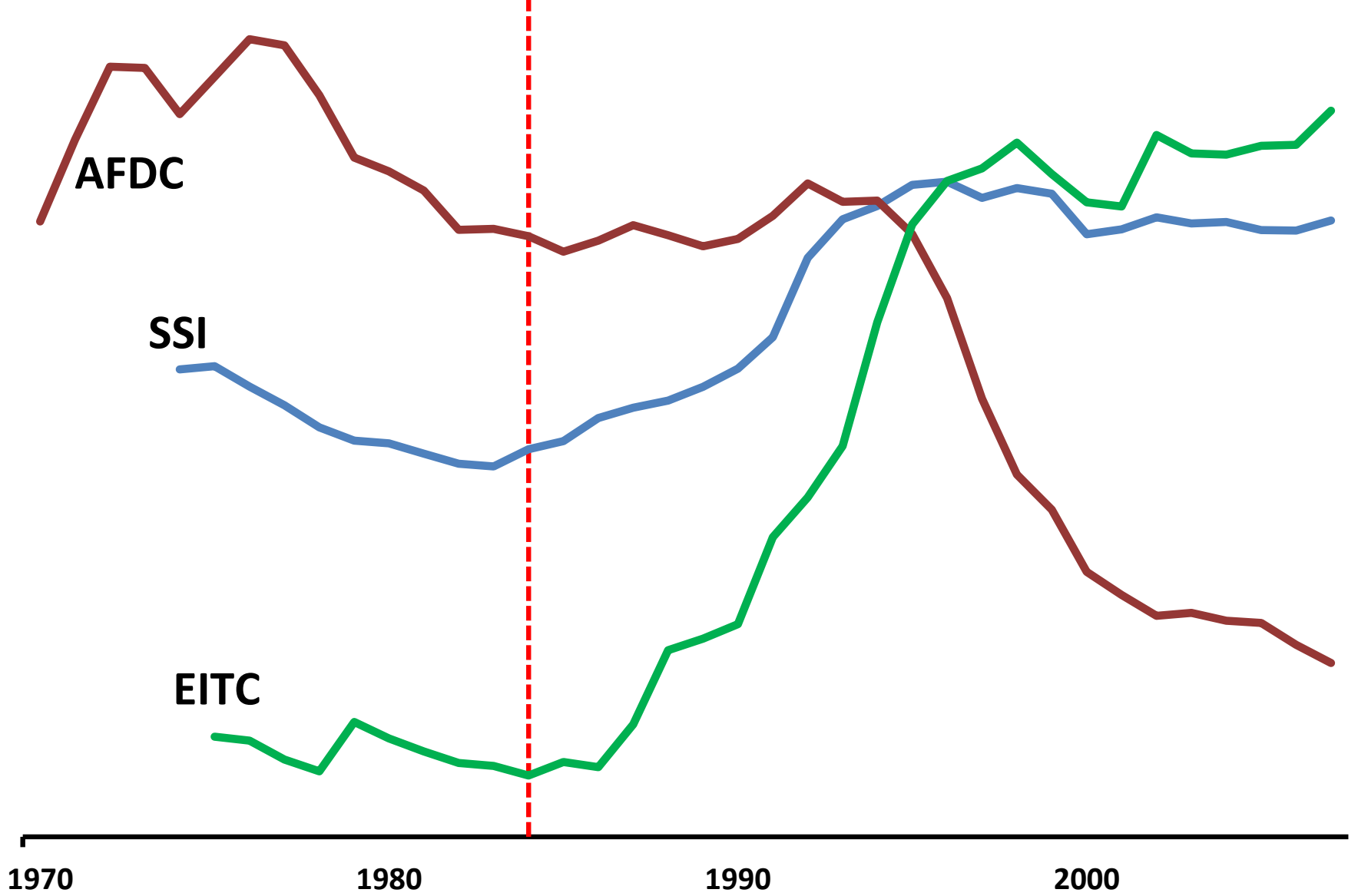
AFDC spending was slashed after 1996



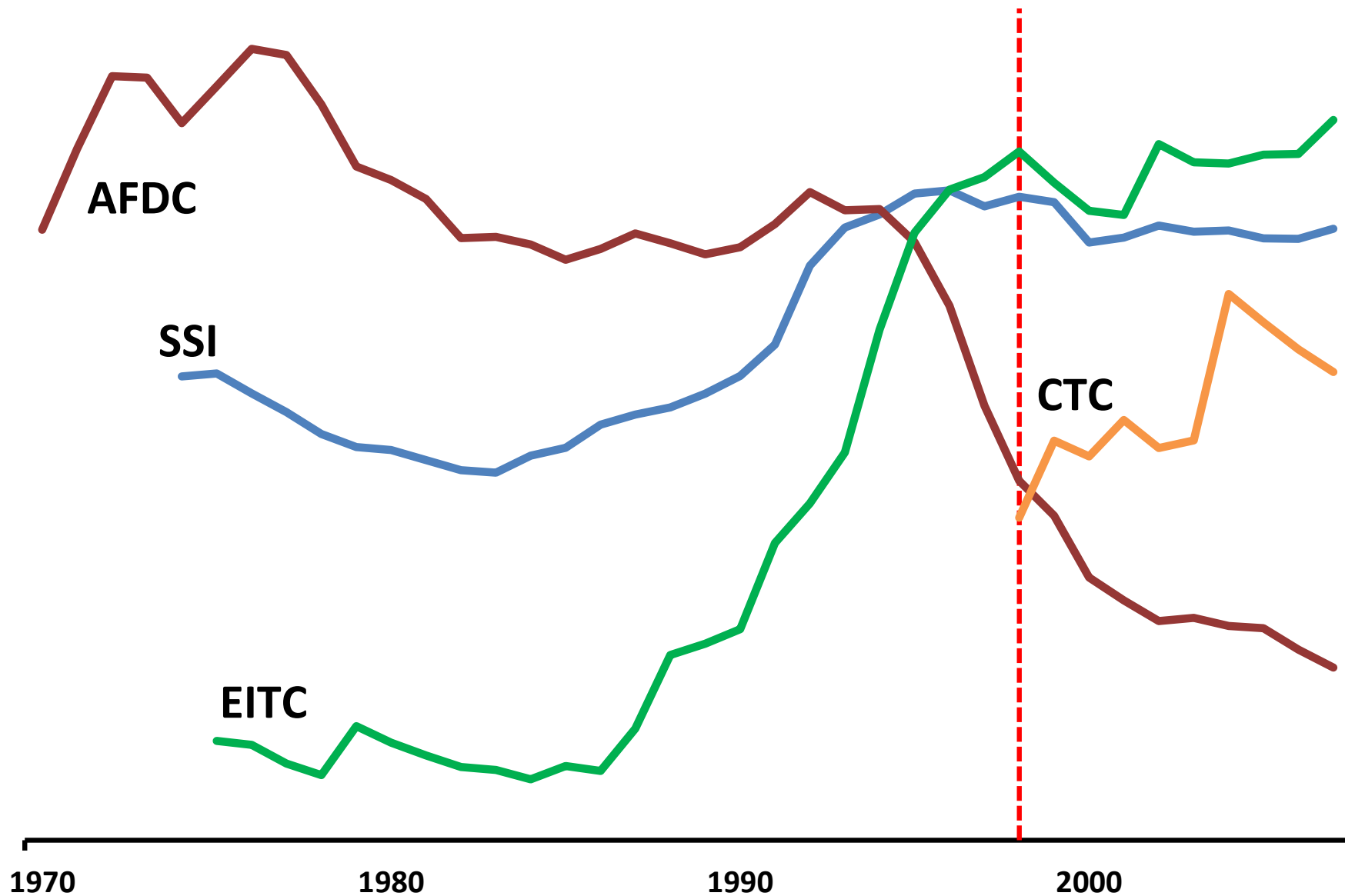
But SSI spending grew rapidly after 1990



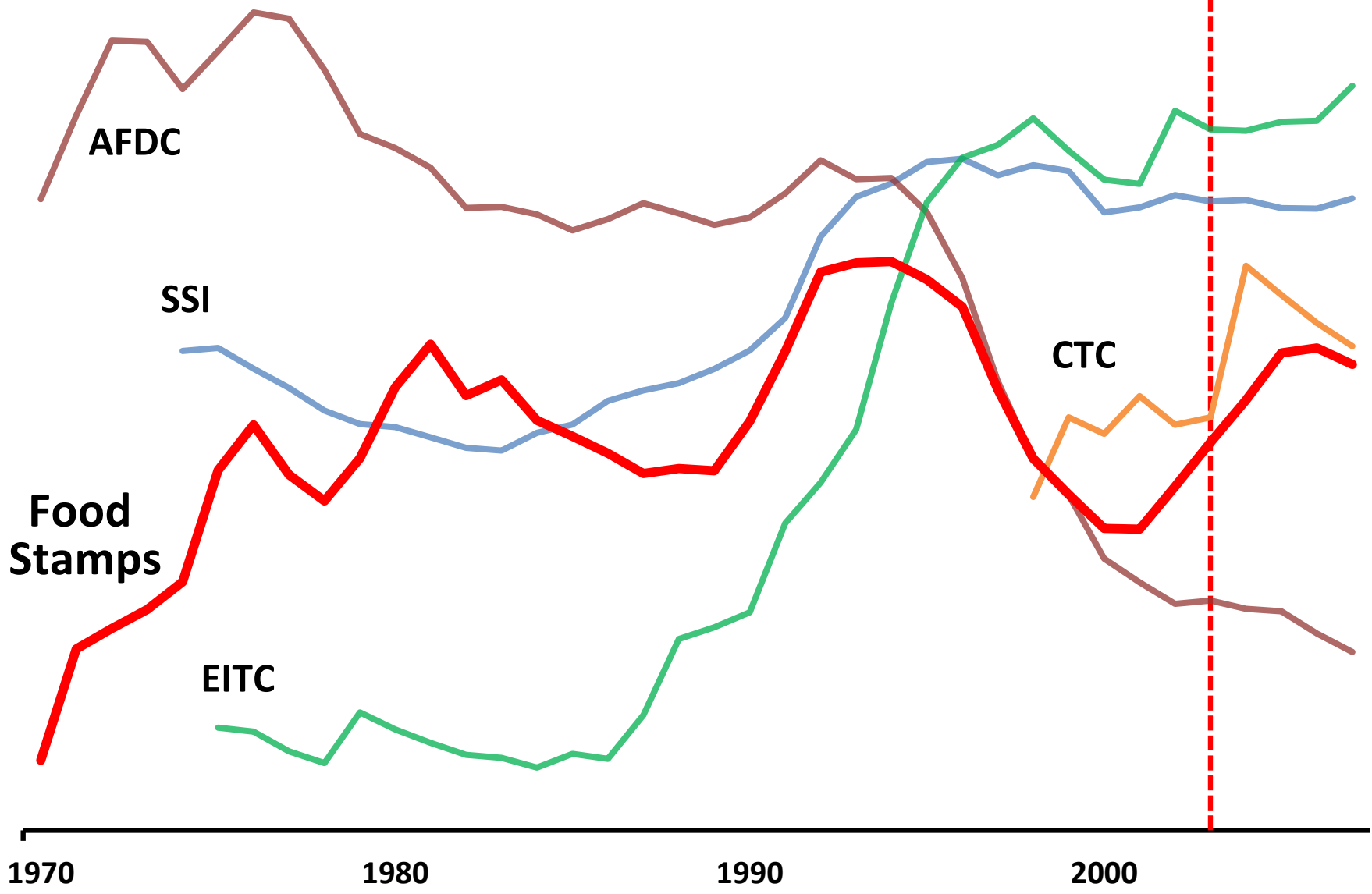
EITC spending grew rapidly from the late 1980s to the late 1990s



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

Older Adults



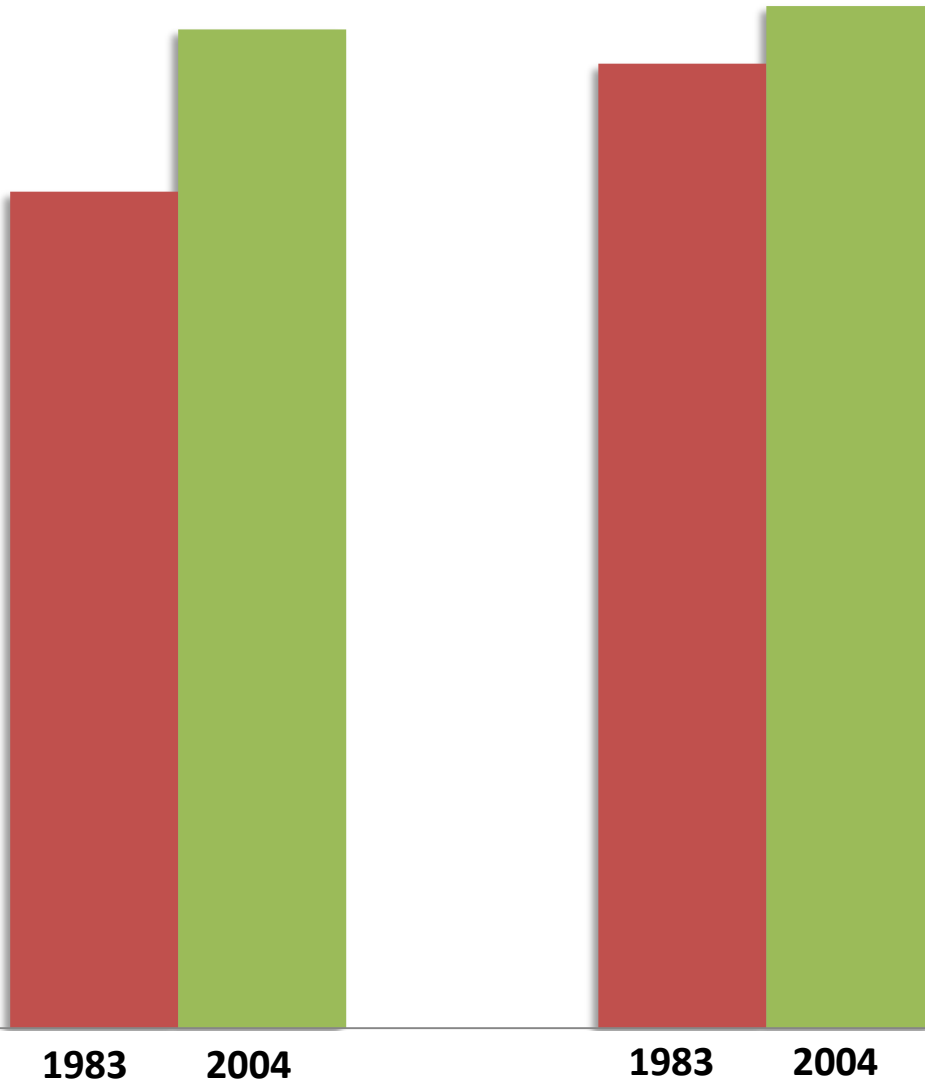
1983

2004

They also rose for families with disabilities

Older Adults

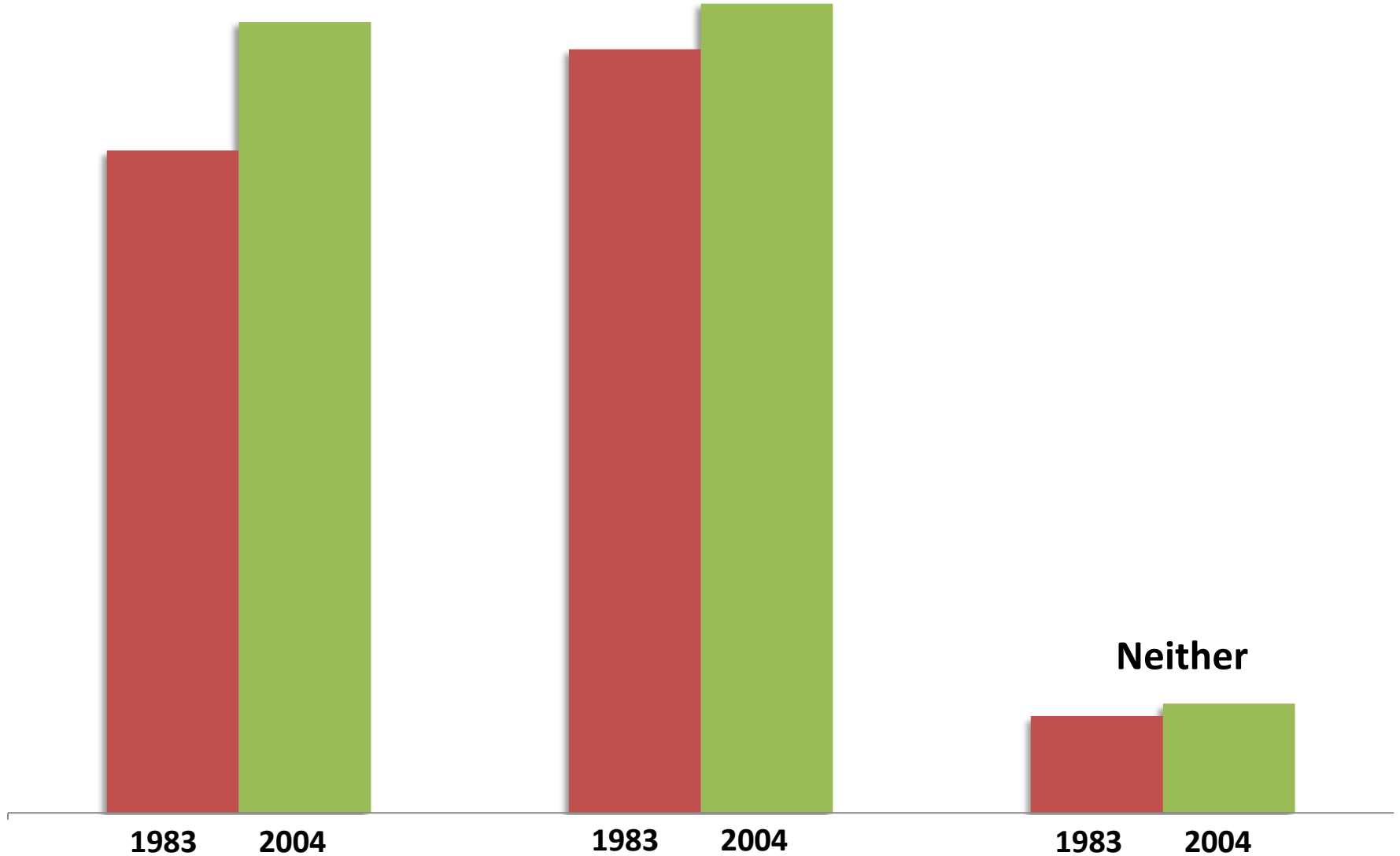
Families with Disabilities



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

Older Adults

Families with Disabilities



But they fell for single-parent families, and the childless receive very little

Single Parent Families



1983 2004

Married Parent Families



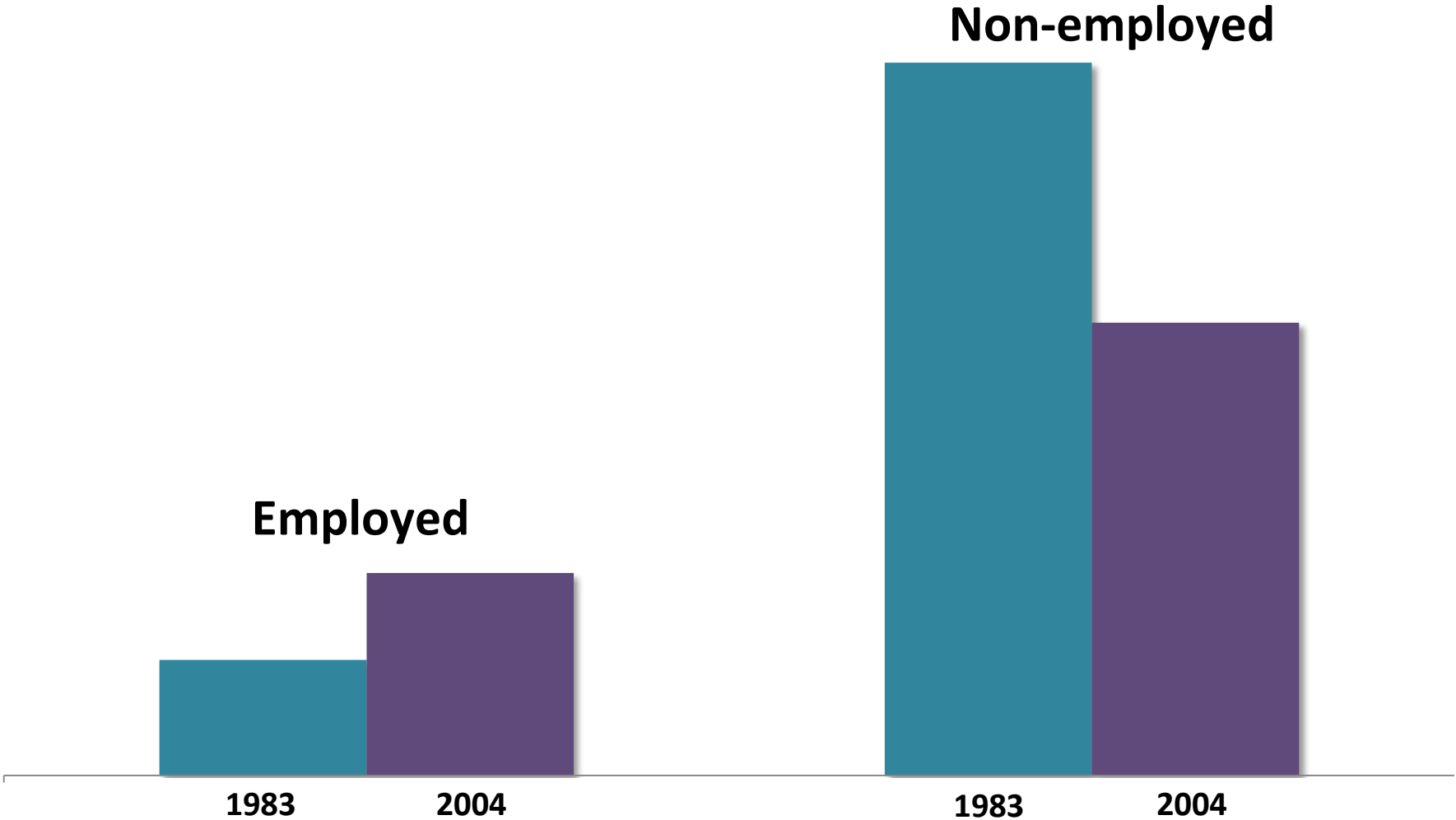
1983 2004

Childless Families



1983 2004

Per family average total transfers fell for those without a full-time employed adult



Definition of Private Income

Sum of:

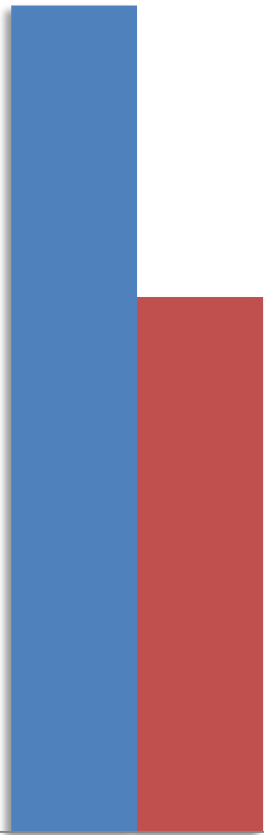
1. Family Earned Income and
2. Private Unearned Income
(most have very little)

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

Income Less than 50% Poverty Line



1983 2004

Income Between 50% and 100% Poverty Line



1983 2004

Income Between 100% and 150% Poverty Line



1983 2004

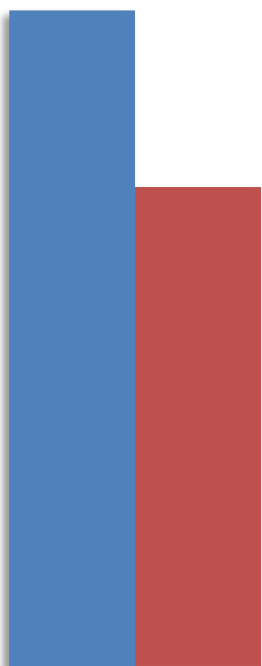
Income Between 150% and 200% Poverty Line



1983 2004

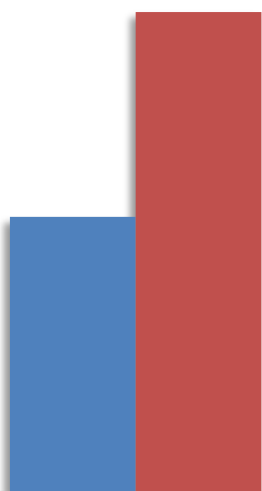
The same thing happened for married-parent families

**Income Less than 50%
Poverty Line**



1983 2004

**Income Between
50% and 100%
Poverty Line**



1983 2004

**Income Between
100% and 150%
Poverty Line**



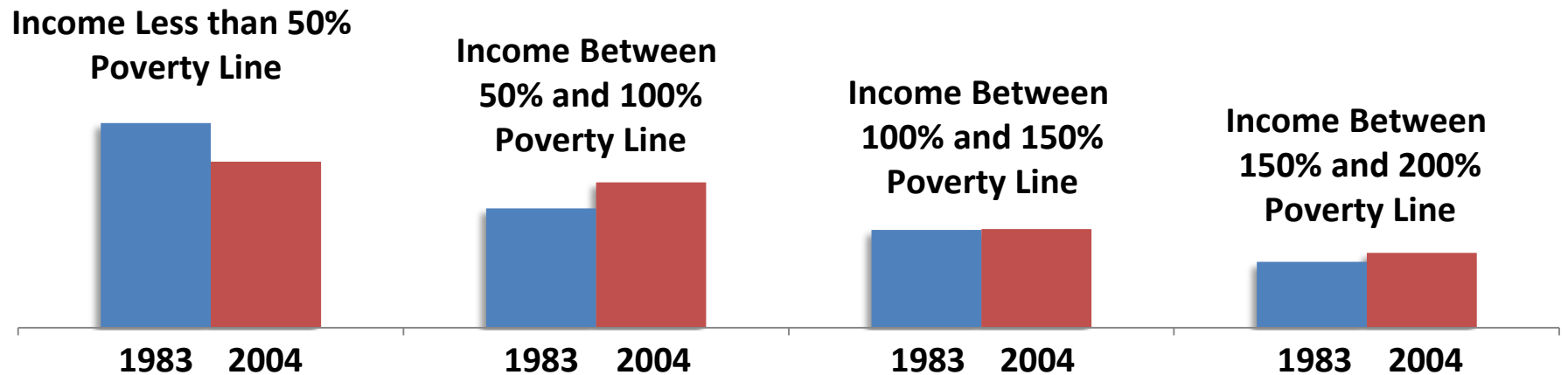
1983 2004

**Income Between
150% and 200%
Poverty Line**



1983 2004

And for childless families, although the amounts were small



Average transfers fell 7% for married childless, but 20% for unmarried childless

Married, childless
Less than 50% of the Poverty Line



Not married, childless
Less than 50% of the Poverty Line



1983

2004

1983

2004

Mean Monthly Per Family Transfers in 2004 (Private Income Less than 50% of Poverty Line)

U.S. Born: \$882

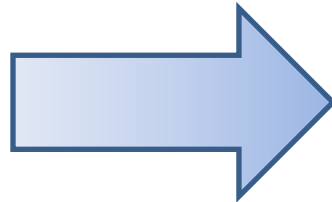
Not U.S. Born: \$716

U.S. Citizen: \$890

Not U.S. Citizen: \$462

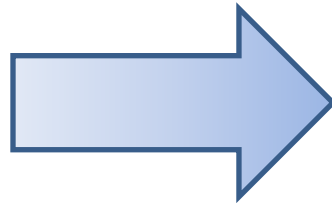
Redistribution

Non-Aged,
Non-Disabled



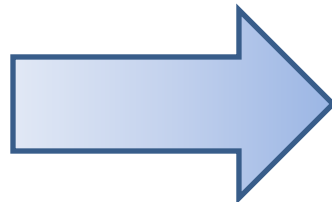
Aged &
Disabled

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

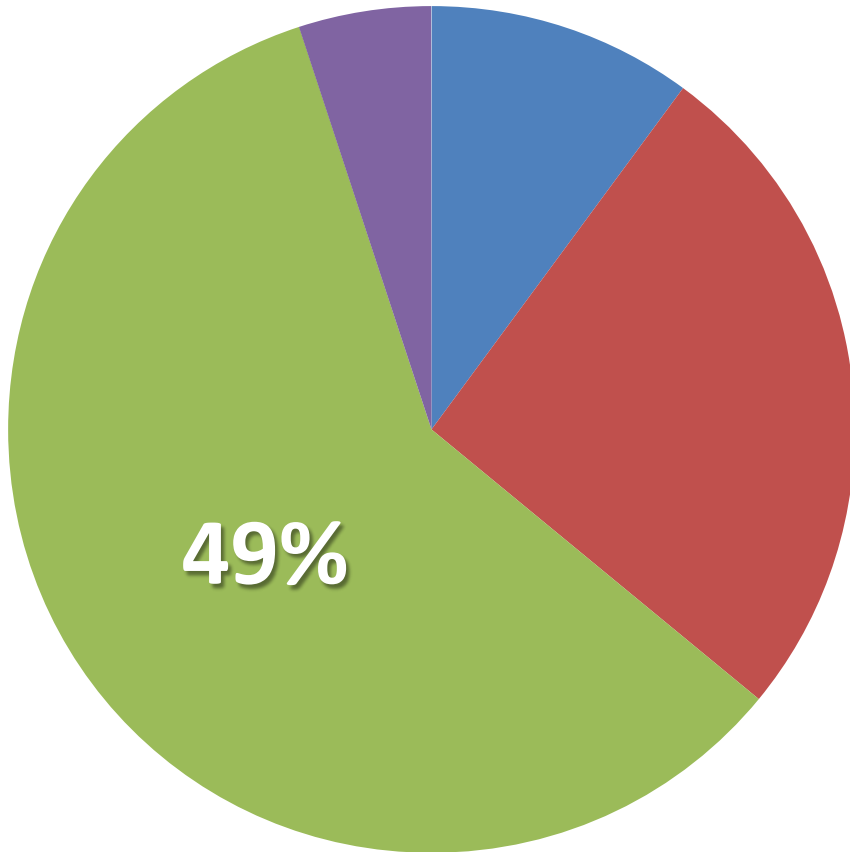
Patterson

“Pauperism”

**In 1942, widows and wives of husbands with disabilities were
49% of the AFDC caseload**

Not Married **Divorced** **Widows Plus** **Other**

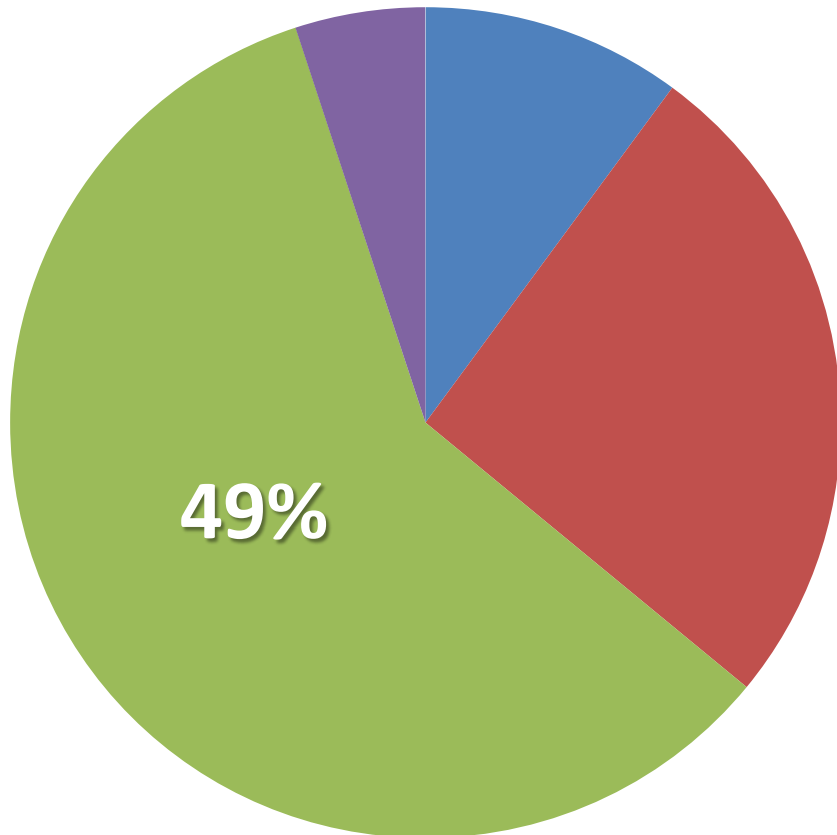
1942



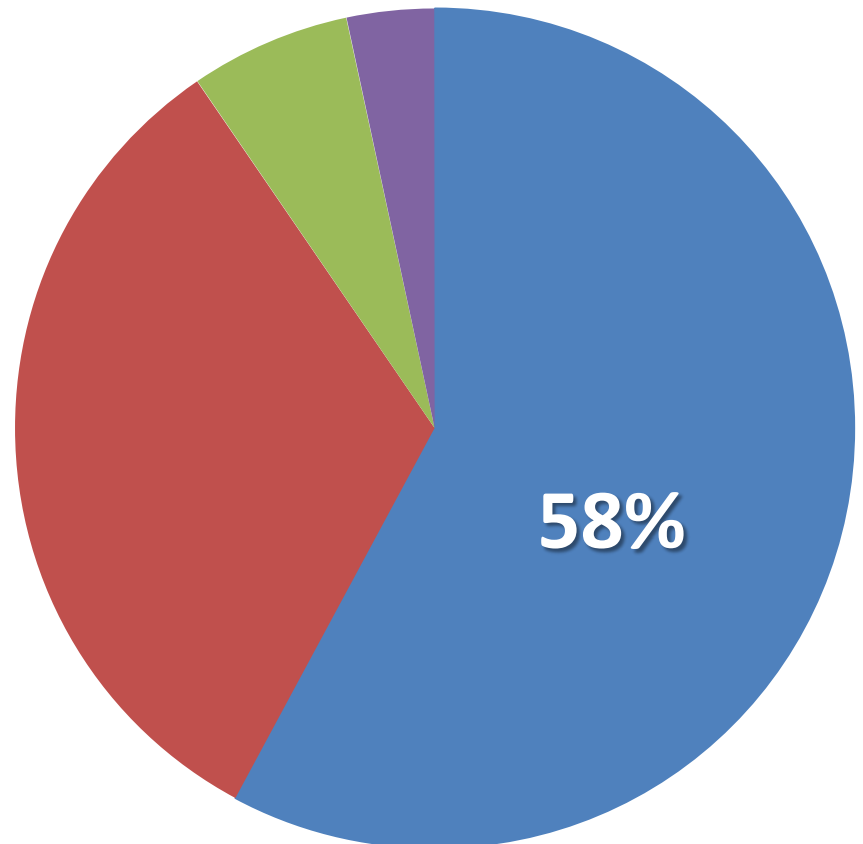
By 1992, unmarried mothers were 58%



1942



1992



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

Researchable topic

- 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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