SIX

INCREMENTAL VERSUS COMPREHENSIVE WELFARE REFORM[1]

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INTRODUCTION

Since the late 1960s, our system of cash and in-kind transfers has been viewed critically by analysts and politicians of virtually every political and philosophic persuasion. Beginning with a Presidential Commission, HR1, and more recently the Better Jobs and Income Program (BJIP), Presidents Nixon and Carter have sought to evaluate and reform what has frequently been called the "welfare mess." Attending this interest in change has been the creation of a significant intellectual community devoted to studying the welfare system and alternative welfare programs.

Against this decade-long research and political effort, one must contrast the reality that comprehensive reform of the welfare system, as contemplated by Presidents Nixon and Carter, has not been achieved. Instead, the existing system of cash and in-kind programs has been changed, sometimes markedly, but without the elimination of any programs. This amendment and refinement process, sometimes called "incrementalism," may be more consistent with the Congressional legislative process, especially in the absence of a catastrophic crisis which might mobilize wide-scale institutional change.

The purpose of this essay is to provide a framework within which one can analyze alternative welfare reform proposals in the sense of categorizing and examining issues which implicitly or explicitly must be dealt with by welfare reformers. The framework is first developed in terms of issues which should be addressed, and then Carter and Ullman welfare plans are compared and contrasted. The Carter plan was widely viewed as comprehensive welfare reform while the Ullman plan was widely viewed as an "incremental" welfare reform proposal. The major objective here is to ascertain, through the use of the evaluation framework, if there are inherent difficulties with a comprehensive approach to welfare reform. Another objective is to identify logical interdependencies among issues which affect the entire structure of a proposal.

In order to put the analysis in subsequent sections in historical perspective, some background about the Carter proposal is in order. Recognizing that the problems of low-income families involved not only the manner in which they received cash and in-kind (Food Stamps, housing, child care, etc.) assistance, but also matters of access to private and public sector jobs, President Carter—with the approval of House Speaker Tip O'Neill—was able to have the House of Representatives create an ad hoc Welfare Reform Committee to consider the President's proposal. While the Committee was composed of Representatives from the three substantive House Committees having jurisdiction over various aspects of federal aid to the poor (Ways and Means, Labor, and Agriculture), the Committee was never formally a creature of the House Rules. Therefore, it did not have formal jurisdiction over the President's welfare reform proposal, nor did it have the authority to authorize or appropriate any public program. Also, the Committee was under no requirement to operate under the rules of the House with respect to procedure.

In terms of composition, the Welfare Reform Committee contained members from the Ways and Means Subcommittee on Public Assistance and Unemployment Compensation, from the Agriculture Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition (chaired by Congressman Fred Richmond of New York), and from the Labor Subcommittee on Employment Opportunities (chaired by Congressman Hawkins of California). Most remarkable was the appointment by the Speaker of the House of James Corman as chairman of the Ad Hoc Committee along with the appointment to the Ad Hoc Committee of the standing Committee chairmen. Thus, one had the anomalous situation of a member of Ways and Means chairing a committee which inclued the chairman of Ways and Means.

Congressional staff work for the Ad Hoc Welfare Committee was done by Dr. Ken Bowler, Staff Director of the Ways and Means Subcommittee on Public Assistance and Unemployment Compensation, Susan Grayson, Staff Director of the Labor Subcommittee on Employment Opportunities, and John Kramer, Special Counsel to the Agriculture Committee. With regard to tax matters, staff work was performed by the author and Dr. Randall Weiss, both of the staff of the Joint Committee on Taxation. General staff support was also provided by Margaret Malone and Vee Burke of the Congressional Research Service of the Library of Congress, Bill Hoagland and John Korbel of the Congressional Budget Office, and staff from various executive departments.

Concerned about the nature of President Carter's proposal, Congressman Ullman sought early in the history of the Carter effort to dissuade the President from submitting a comprehensive bill to the Congress. He was concerned about the cost and the philosophical shift which a centralized and complete welfare system would represent. When it became apparent that President Carter would submit a comprehensive plan, Ullman sought to construct an alternative to the President's bill and brought together a small staff composed of Dr. Wendell Primus of the Ways and Means staff, the author, and Dr. Randall Weiss which advised him throughout the deliberations of the Welfare Reform Committee.

Below, I outline a comparison between the incremental and comprehensive approaches to welfare reform. Principal among my concerns will be matters involving the cost of various alternatives, the equity and fairness of the proposals, and also whether the proposals would admit of implementation.

An underlying purpose of this essay is to identify why proposals originating from the academic community have significant difficulty in being accepted in the practical world. Having served on both sides of the fence—as a staff aide to the Congress, and as an academic who has generated ideas which have been brought before the Congress—my interpretation may have some value both for analysis in the academic community and the government.

A FRAMEWORK FOR ANALYZING WELFARE REFORM POLICY

Rationale for the Framework

Any comparison of such a large-scale enterprise as reforming our welfare or tax systems must contain values and presumptions about what is important. Such a framework must permit the analyst to compare differences and similarities between proposals and to identify problems in the design of welfare proposals. The framework is sufficiently general to contemplate not only the welfare proposals which were immediately before the Congress, but also other proposals which seek to change laws affecting Aid to Families with Dependent Children (AFDC) or the Food Stamp program. It is hoped that this framework, while sufficiently general, also provides a fair benchmark against which we may compare various welfare reform proposals.

The Framework

There are, in my view, ten areas which any welfare reform proposal must explicitly or implicitly address. I discuss each of these briefly and indicate why a proposal to change the existing welfare system would attempt to address each of these issues.

Theory of poverty. Any welfare proposal, or for that matter even the existing system of assistance to the poor, is based on assumptions as to why people are poor and what society's obligation is to assist them. For example, if one believes that income redistribution is a basic obligation of modern government, and that every member of society should be assured some minimum standard of living—regardless of their ability to produce—then it follows that financial assistance is an entitlement; i.e., an inalienable right of each individual or family to control at least a minimum level of resources. Taking this a step further, if one believes that this right is inalienable, one may also conclude that it is independent of any requirement that an individual work. The absence or presence of a work requirement for those receiving public assistance may then be viewed, in part, as an implicit statement of the theory of poverty underlying the program. Similarly, if part of a proposal involves educational opportunities or educational requirements of the poor, then the underlying theory of poverty is that poor people lack marketable job skills which society ought to provide.

Theory of intergovernmental relations. Because we have a federal system of government, it follows that a program of assistance to individuals must address the question of federal versus state responsibilities.

These questions of relationship between the central and state governments are often overlooked, despite the fact that since the enactment of the Social Security Act during the Depression, virtually all of our social welfare programs have been financed, at least in part, by the federal government but administered entirely by the states on behalf of the federal government (pursuant to federal guidelines and strictures). Any proposed change to the existing system of income transfers to the poor must address this intergovernmental aspect of the current system and define what is the desirable or more appropriate relationship between the federal government and the states.

There are a number of alternative federal-state relationships. Under a centralized theory of federalism, not only would income redistribution be the primary responsibility of the federal government, but it would also be controlled and administered entirely by the federal government with the states acting as passive bystanders. Another possible relationship, which might be described as a decentralized form, would involve complete abrogation of the income-redistribution responsibility of the central government to be accomplished instead by state government. Under this form, the states not only would have primary responsibility for redistributing income throughout the nation, but would also exercise the financial and administrative functions. There are, of course, variations between these two polar caricatures of our current system; however, it is useful to provide them to highlight the importance of intergovernmental relations when addressing changes to our existing system of public welfare.

Cost. This issue—how much proposed changes to the existing system would cost—is addressed directly by virtually all welfare reform proposals. An important consideration when examining the cost of welfare reform is its cost by level of government, both in the near and long term. As will be seen in our discussion of the two proposals before the Ad Hoc Welfare Reform Committee, the matter of cost turned out to be quite important, and in retrospect was the major factor in the ultimate defeat of the comprehensive approach.

Equity. Financial assistance to the poor is, by definition, a redistributive public activity. Accordingly, issues of equity are implicitly or explicitly raised by those who seek to change the existing system of financial assistance. It is useful here to outline the concepts of equity which will be used below. These include vertical equity and horizontal equity. With respect to vertical equity, at issue is whether the benefits provided are sufficient to meet the basic needs of families, and whether the benefits are progressive or regressive when viewed on an after-tax and after-transfer basis. A further important question of vertical equity is whether individuals who are provided financial assistance receive more than they pay into the tax system. The concept of vertical equity becomes especially important when one examines the benefit levels and tax rates of individuals at the edge of poverty.

Horizontal equity concerns the treatment of individuals in the same pretax, pretransfer circumstances. At issue is whether these individuals are treated the same by the transfer system. For example, it is not clear whether a 28-year-old person earning $3,200 yearly and a person getting Social Security of equal value are in different economic circumstances; however, the tax and transfer systems view their situations differently. Similarly, whether or not a family of two adults with two children and a family of one adult with three children, both with the same earnings, are in the same circumstance may be viewed as problematical.

Finally, when examining the issues of vertical and horizontal equity, it is important to determine how the transfer system treats individuals and family units over time. To the extent that resources are scarce and limited to providing assistance to needy individuals at any given moment, we must question whether proposed expenditures will be accurate in assisting only those currently in need. Similarly, one should determine whether programs of assistance have a chance of helping individuals to the point that their dependency on the public transfer system is diminished.

Feasibility. Academics are usually not overly concerned with questions of feasibility. On the other hand, elected officials seem preoccupied with whether proposed changes in current practice can indeed be achieved. Three forms of feasibility may be distinguished for analytical purposes. First, is the change managerially feasible, i.e., can the new policy be managed efficiently to achieve its goals? Second, can existing institutions reasonably expect the policy to be implemented smoothly, given current and proposed resources as well as institutional constraints? The feasibility concerns of elected officials seem quite pragmatic, for such officials need to take into account the resistance and inertia which existing institutions have to change. It may well be that a given policy could be managed if a new organization were started from scratch, but there is usually an existing delivery system which employs thousands of well-intentioned individuals throughout the country who may or may not wish to change. Third, we must be concerned with political feasibility. Here the analysts' problem is straightforward: Are there enough votes in the House of Representatives and the Senate, given their disparate interests, to assure that the proposal will be adopted?

Correctibility. The issue of correctibility entails consideration of the reform's effect on existing practices and institutions, and in particular whether adoption of the change will preclude subsequent corrections in the system. A closely associated question is whether the proposal will generate information about its effects on practices and institutions so that the new system will be allowed to self-correct through time. A simple example will illustrate the issue of correctibility. Under President Carter's welfare reform proposal, Food Stamps would have been eliminated. Before eliminating such a major program, however, the analyst may want to determine how difficult it would be to reinstitute in-kind transfers were it found that the elimination of Food Stamps had a deleterious effect on the welfare of poor people. Radical reforms that sweep aside many existing practices and institutions may, in fact, not permit such correction.

Incentives. Academic researchers—and especially economists—who have looked at questions of income redistribution have been preoccupied with the issue of incentives. There have been numerous experiments, involving many millions of dollars, which have attempted to determine whether new forms of financial assistance to the poor would materially affect their willingness to work. But we should also be concerned with the degree to which a proposed change contains mechanisms designed to induce institutions and delivery systems to achieve desired goals. For example, where a proposal seeks to improve the accuracy of payments to the poor and thereby eliminate erroneous payments to the nonpoor, we should ask whether the proposal includes meaningful incentives for the reduction in such error rates. Similarly, we should determine whether the proposal includes incentives for the creation of new jobs for the poor and whether there is accountability in the new institutions administering the program.

Certainty and risk. Any proposal for changing existing institutions must involve some risk. At issue is the magnitude and the probability distribution of such risks. These risks in the context of welfare reform entail not only whether more poor people will be helped at a lower administrative cost, but also whether there are significant risks of cost overrun.

Side effects on other programs. It is convenient to view the welfare system as an independent slice of greater society and to consider only questions of whether the millions of individuals, currently poor and not receiving assistance, would begin to receive cash assistance under proposed reforms. In fact, however, there are numerous programs of cash and in-kind assistance to the poor. Thus, the question arises as to whether proposed changes in welfare would have any unexpected effects on service delivery demands on other parts of the welfare system. For example, both the President's and Congressman Ullman's proposals would have increased the number of individuals eligible to receive welfare benefits. Since Title XX of the Social Security Act provides a variety of social services to individuals who qualify for welfare, and since the Medicaid program pays for the medical care of the same individuals, there would have been significant increases in demand for both Title XX and Medicaid benefits. However, neither proposal addressed this indirect problem.

Participation. Until very recently, there has been little research examining the relationship between the number of individuals eligible for a public program and the number who actually enroll in the program. It has been estimated that, because of misrepresentation on the part of applicants and lax enforcement of eligibility requirements on the part of administrators, more than 100% of the individuals eligibile for AFDC in New York City actually participated (Boland, 1973). On the other hand, it has been estimated that the participation rate in the Food Stamp program has been under 50% (MacDonald, 1977); the participation rate in the children's portion of the Supplemental Security Income (SSI) program appears to be even lower, about 25% (Breen, 1980), and the participation rate of adults in SSI was found to be under 50% (Strauss, 1977). Any cost projections for a welfare reform proposal, of course, are dependent on accurate estimates of participation rates. Furthermore, the analyst should be concerned with how well or how poorly a given welfare reform proposal addresses the issue of under- or overparticipation.

ANALYSIS OF THE CARTER AND ULLMAN WELFARE REFORMS WITHIN THE EVALUATION FRAMEWORK

Theory of Poverty

An examination of welfare law—especially the AFDC and Food Stamp programs—suggests that the poor and their children have been accorded a right or entitlement to a minimum standard of living from the federal government. However, examining the evolution of these programs suggests that there has not been a consistent theory of why the poor are poor. Nevertheless, recent years have seen increased emphasis on encouraging adults with school-age children to work. Indeed, a part of these work requirements in the AFDC and Food Stamp laws has been the stricture that refusal to accept an available private sector job should entail a diminution of welfare benefits. This policy suggests that the theory of poverty implicit in our current welfare system is that the poor are poor because of inadequate job opportunities. Note also the implicit presumption that children of the poor are best cared for by their parents during their early years.

In addition to Food Stamps and AFDC, another important program of income support is the Supplemental Security Income program (SSI) which provides categorical assistance to the elderly and disabled who are poor. Unlike Food Stamps and AFDC, there is no presumption in SSI that the elderly and disabled should obtain private sector jobs.

In the case of SSI, lack of employment is not viewed as cause of poverty in fact, there is no work requirement under the SSI program.

Under the Better Jobs and Income Program (BJIP) submitted to th Congress by President Carter on September 12, 1977, and under Con gressman Ullman's incremental counter proposal, HR10711, the rela tionship between beneficiaries of cash and in-kind assistance and th job market was altered. Both proposals attempted to provide publi jobs to the poor and, in effect, make the federal government the em ployer of last resort. Both programs have significant public sector em ployment programs, although the Carter jobs program was much large than Ullman's program; the BJIP jobs program had no ceiling on the number of public sector jobs to be created.

Under BJIP, beneficiaries of cash assistance would be on the "lower tier" of cash assistance for a short time during which it was assumed they would look for work. If jobs were not available from the private sector, the federal government would provide public secto jobs. The waiting period prior to provision of public sector employmen was quite nominal, only 4 weeks.

Under the Ullman proposal, the discrepancy between cash and in-kind benefits and public-sector wages was greater, and also there were more numerous incentives to take private sector jobs. For example, tax credits were provided to employers to encourage them in hiring low-income individuals. The waiting period for public-sector employment was much greater under the Ullman proposal vis-à-vis Carter's proposal, thus providing a greater incentive for individuals to take a private sector job.

Both proposals stressed the relationship between the job market and poverty of individuals. In effect, both proposals subscribed to the theory that employment opportunities are a significant determinant of low-income status; both proposals implicity rejected the "culture of poverty" theory which holds that poor individuals remain poor because their behavioral patterns and attitudes, which are passed from generation to generation, represent an adaptation to poverty and not to the world of work (Lewis, 1965).

Theory of Intergovernmental Relations

Under current law, a fragmented approach to fiscal federalism prevails. A consistent thread among the several welfare programs which have been candidates for reform in recent years has been the assumption that states should deliver services and thus act as the fiscal agent of the federal government. One also finds in current law the presumption that federal employees should not directly provide eligibility and benefit payment services. For example, Food Stamps is entirely federal in that the rules determining the level and rate of reduction of benefits, as well as overall eligibility, are entirely federal. Food Stamp benefits are also paid entirely from federal funds. However, the individuals actually deciding who will and will not receive Food Stamp benefits are state employees paid from federal and state funds. AFDC is partially federal and partially state financed. Most eligibility requirements are set forth in the Social Security Act. A few eligibility requirements are left to the states based on the submission of a state plan to the federal government. However, AFDC is entirely administered by the states.

Perhaps most indicative of the contradictory nature of the fiscal federalism theory implied by our current welfare system is the fact that under AFDC the basic guarantee level of cash assistance (the amount a family receives if they have no earnings) is set by the states, with the federal government setting the *rate* of benefit reduction (the rate at which benefits decrease as income increases). Thus, we now have 51 different benefit levels throughout the country. In addition, the costs of administering AFDC and the cost of the assistance itself are shared between federal and state government, and in some instances costs are even shared by the states and their localities. This is, if you will, a "federal partnership approach" to the provision of cash assistance to the poor.

A second form of intergovernmental relations may be observed with regard to the current SSI program. Under the SSI program, cash assistance is entirely financed by the federal government, and administration is entirely federally controlled by the Social Security Administration. This small program of 5.2 million beneficiaries in 1979 is the only example of federal service delivery directly to the poor. Note, however, that there is no work requirement and individuals are categorically eligible on the basis of income, assets, age, and health status. Under AFDC and Food Stamps, family composition is an additional consideration, and the AFDC and Food Stamp programs serve considerably larger number of individuals, about 12 million in the case of AFDC and nearly 20 million in the case of Food Stamps.

The Carter proposal consolidated several existing programs; namely, SSI, Food Stamps, and AFDC, all of which would have been consolidated into one program of cash assistance. On the other hand, the states would continue to set guarantee levels with federal matching of costs. The extent of the matching of federal funds to state funds would be federally determined, as would the income and wealth levels that determine eligibility. However, administration of these provisions would be left up to the states or the states and their localities. Thus, under the Carter proposal there would be a perpetuation of the state (or state and locally) administered system.

Under the Ullman proposal, there was very clear delineation of intergovernmental responsibilities. States were again viewed as fiscal agents of the federal government as is currently the case with Food Stamps. Local, optional administration of AFDC was eliminated from current law, leaving only state administration of eligibility determination. Eligibility and benefit reduction rate would be entirely federally defined. Federal and state costs would also be clearly defined, with no matching on the part of state governments. Finally, over time state payment for AFDC would be phased out, except to the extent that the state made errors in administering the program.

An interesting intergovernmental aspect of the Carter proposal was the relationship of federal and state governments in the attempt to create jobs. (See also the discussion below on incentives.) Under current law, the Work Incentives Now (WIN) program provides about 25,000 public-sector jobs for the able-bodied poor with school-age children. Under the WIN program, responsibility for job creation, job counseling, and referral of such individuals to private sector jobs is a shared responsibility among the Secretary of Labor, the governor of each state, his advisory counsel composed of labor and management, and the state and field offices of the state employment services. Thus, unlike AFDC and Food Stamps, which have a fairly clear delegation of final authority to the federal government and the state governments, respectively, WIN's job creation, job counseling, and job referral have no final delegation of adminstrative responsibility. This may explain why the WIN program has not been very successful over the years.

The Carter program would have relied on the Comprehensive Employment and Training Act (CETA), prime sponsors to create jobs, rather than the existing WIN program. Note that CETA would force localities to create the jobs. However, if localities failed to create jobs, the states would, in effect, be forced to continue matching their funds with federal funds to finance the cash benefits to which unemployed individuals would be entitled. Such a system, of course, would punish states for the failures of localities.

Under the Ullman proposal, in contrast, states would be responsible for creating jobs under a revised WIN employment program which clarified the administrative control of WIN. The restructuring of the relationship between the federal Department of Labor and the state so that the WIN program—and therefore the Public Sector Employment program—would be put on the same basis as AFDC was mandated by the Ullman proposal. Under the Ullman proposal, each state would provide to the Secretary of Labor, as they then provided to the Secretary of HEW, a plan of how they would administer the job creation program. Ullman's proposal matched the source of fiscal liability for potentially higher benefit costs with the source of control over the job creation program. Thus, under the Ullman program, if jobs were not created by the states, the states would have to pay for cash benefits entirely.

The Carter proposal's absence of clear responsibility for administration of the cash portion, and the absence of a matching of fiscal responsibilities and administrative responsibilities for the job program, would probably have created reverse incentives for the states not to create jobs for individuals. To the extent that individuals who initially take public-sector jobs can obtain marketable skills useful in the private sector, the Carter program would continue dependency rather than diminish it because the intergovernmental aspect of the program was not clearly defined. On the other hand, the Ullman program continued existing relationships, although clarifying these relationships by centralizing them at the state level. Thus, the Ullman proposal may be viewed as superior to the Carter proposal in that the level of benefits was entirely determinative within the framework of federal law. Under the Ullman proposal, both the guarantee level and the rate of reduction were federally determined, state by state, and could not be altered by the states unless they financed higher benefits entirely at their own expense. On the other hand, the Carter proposal was indeterminative because the federal government was forced to match—on an unlimited basis—state funds in meeting the state-determined guarantee level.

Cost

A complete history of welfare reform in the late 1970s will undoubtedly include details of the various cost estimation techniques used by the Administration and the Congressional Budget Office (CBO) to provide accurate price tags for the various welfare proposals. Existing welfare programs which were under discussion—AFDC, Food Stamps, and SSI—amounted to about $42 billion in 1982 dollars (CBO, 1978). HEW claimed that the Carter proposal would cost an additional $2.8 billion in 1982. On the other hand, when the Congressional Budget Office (1978) provided its cost estimates of the Carter proposal, it estimated that the incremental federal cost for BJIP would be $17.4 billion in 1982. By the time the Welfare Reform Committee completed its deliberations on the Carter proposal, the estimated 1982 cost had increased to almost $25 billion.

The very large disparity between the HEW and CBO estimates may be explained by several factors. First, the HEW figure was a net figure which included as offsets increased revenue to the federal government from proposed legislation. In particular, it was assumed that 7.9 billion additional dollars from the excise tax on crude oil could be directed to the program of welfare reform. Second, HEW made some very modest estimates of the number of individuals who would continue to receive cash assistance under the unemployed parent (AFDC-UP) segment of their program. Third, it was assumed that many private-sector and some public-sector jobs would be made available and thus relieve welfare costs. Fourth, HEW planners assumed that participation in the welfare system, under the consolidated program of cash assistance, would not change at all. CBO made rather different, and more reasonable, assumptions about the availability of private-sector jobs and behavioral responses to the Carter proposal. Congressional skepticism of the $2.8 billion cost figure was widespread and adversely affected the Department's effectiveness before the Committee.

Under the Ullman proposal, the additional cost estimated by Congressional staff was between $7.5 and $8 billion; HEW estimated the Ullman proposal cost to be $12 to $15 billion. Thus, the program which left Food Stamps intact, left the SSI program untouched, and had a ceiling on public sector jobs, was thought by HEW to be more expensive than the Carter proposal which would have consolidated and increased eligibility for all three programs.

It should be noted, of course, that neither incremental nor comprehensive welfare reform was enacted by the Congress. The enormous additional outlays entailed by either program at a time when the budget was in deficit and a recession quite likely, led the Congress to conclude that it could not afford the cost of either reform program. Subsequently, in late 1979, the House of Representatives did pass an incremental welfare bill modeled on the Ullman proposal. However, the Senate had not taken up the matter by late 1980.

The intellectual history of welfare reform that has yet to be written should, in my opinion, involve a rather careful discussion of the cost estimation techniques used by proponents and opponents of particular welfare proposals. HEW began its analysis with a complicated and undocumented computer program, known as the KGB model, which contained routines for estimating the behavioral responses of individuals to the provisions of specific welfare proposals. This program was used in calculating the final number of eligibles. The model was not made available to Congressional staff for a considerable time, and its accuracy could not therefore be independently checked.

Cost estimation for the Ullman proposal was done by the Ways and Means and Joint Tax Committee staffs who used data based on existing welfare programs. Thus, for example, estimates of the additional cost of the Food Stamp program caused by more generous eligibility requirements were done by using a sample of 1977 Food Stamp beneficiaries. Similarly, the cost of the enhanced AFDC program was estimated using data on a sample of AFDC recipients by state. Of particular importance is the fact that these two samples were drawn from the operating welfare system and represent a 1-month slice of history in 1977. By contrast, the KGB model was based on data from the Survey of Income and Education (SIE) which contained annual information about individuals' work histories and earnings. As such, the SIE required that individuals recall their earnings and hours worked over the prior calendar year—a technique guaranteed to introduce error. Ultimately, HEW began using these program data files to calculate the cost of alternative incremental welfare reform proposals. Without research beyond the scope of this essay, it cannot be said with great accuracy that the use of those program data files led to more inaccurate predictions of cost than the predicions made by the staffs of the Ways and Means and Joint Tax Committees.

Equity

In 1978, the poverty line for a family of four, as determined by the Social Security Adminstration, was approximately $6,770. Column 1 of Table 1 shows, state by state, the value of AFDC cash and Food Stamp benefits available to a mother with 3 children in 1979. Taking the $6,770 figure as a benchmark, anywhere from 50% to 120% of the poverty line was provided throughout the United States, depending on the state in question. Of course, the $6,770 is a national estimate and cost of living varies considerably, both within and between states, as well as between urban and rural areas. However, at the outset, despite the question of cost of living differences, one may ask whether the benefit variation among the states shown in Table 1 is horizontally equitable. Guarantees, and thus benefits, vary significantly depending upon the state in which a family of four might reside.

This comparison of benefits among the states for a similarly situated family has often been described as the "welfare problem." Welfare benefits are generally much lower in the South than in other parts of the country, and this discrepancy has been the source of much criticism. Another horizontal equity consideration reflected in Column 2 of Table 1 is the relationship of guarantee levels among contiguous states. It is often claimed by states adjacent to New York, for example, that if they raise their welfare levels to the level of New York—which is among the highest in the country—they could well experience a significant in-migration of poor individuals from New York. Of interest,

TABLE 1: COMPARISON OF GUARANTEE LEVELS BY STATE AND BETWEEN-STATE BENEFIT DIFFERENCES FOR THREE WELFARE PLANS IN 1979

	Current law				Carter proposal				Ullman proposal			
State	(1) Guarantee level	(2) Av. guarantee in contiguous state	(3) Contiguous state differential	(4) % Differential	(5) Guarantee level	(6) Av. guarantee in contiguous state	(7) Contiguous state differential	(8) % Differential	(9) Guarantee level	(10) Av. guarantee in contiguous state	(11) Contiguous state differential	(12) % Differential
Alabama	$3932.	$3899.	$ 33.	.0085	$4452.	$4452.	$ 0.	.0000	$4452.	$4452.	$ 0.	.0000
Alaska	7704.	—	—	—	7704.	—	—	—	7173.	—	—	—
Arizona	4469.	5392.	−923.	−.2064	4469.	5392.	−923.	−.2064	4452.	5491.	−1039.	−.2333
Arkansas	4268.	4241.	27.	.0062	4452.	4655.	−203.	−.0456	4452.	4640.	−188.	−.0423
California	6242.	5315.	927.	.1486	6242.	5315.	927.	.1486	6527.	5293.	1234.	.1891
Colorado	5267.	5284.	−17.	−.0032	5267.	5284.	−17.	−.0032	5442.	5245.	197.	.0362
Connecticut	6821.	6135.	686.	.1005	6821.	6135.	686.	.1005	6159.	6414.	−255.	−.0414
Delaware	5099.	5528.	−429.	−.0841	5099.	5528.	−429.	−.0841	5244.	5587.	−343.	−.0653
Washington, D.C.	5326.	5217.	110.	.0206	5326.	5217.	110.	.0206	5498.	4980.	519.	.0943
Florida	4335.	3932.	403.	.0930	4452.	4452.	0.	.0000	4452.	4452.	0.	.0000
Georgia	3932.	4048.	−116.	−.0295	4452.	4452.	0.	.0000	4452.	4452.	0.	.0000
Hawaii	8222.	—	—	—	8222.	—	—	—	7065.	—	—	—
Idaho	5771.	5733.	38.	.0065	5771.	5733.	38.	.0065	5640.	5674.	−34.	−.0060
Illinois	5486.	5408.	78.	.0142	5486.	5408.	78.	.0142	5527.	5627.	−100.	−.0181
Indiana	4998.	5481.	−483.	−.0967	4998.	5481.	−483.	−.0967	5885.	5482.	403.	.0685
Iowa	6006.	5742.	264.	.0440	6006.	5742.	264.	.0440	6018.	5794.	224.	.0372
Kansas	5746.	5297.	450.	.0782	5746.	5297.	450.	.0782	5423.	5376.	47.	.0087
Kentucky	4662.	4954.	−292.	−.0626	4662.	5028.	−366.	−.0786	4753.	5040.	−287.	−.0060
Louisiana	4133.	3843.	290.	.0702	4452.	4452.	0.	.0000	4452.	4452.	0.	.0000

Maine	5326.	5595.	−269.	−.0505	5326.	5595.	−269.	−.0505	5498.	5678.	−180.	−.0327
Maryland	4931.	5306.	−375.	−.0760	4932.	5306.	−375.	−.0760	4932.	5253.	−321.	−.0651
Massachusetts	6015.	6300.	−285.	−.0474	6015.	6300.	−285.	−.0474	6169.	6195.	−26.	−.0042
Michigan	6636.	5070.	1567.	.2361	6636.	5070.	1567.	.2361	6593.	5470.	1123.	.1703
Minnesota	6250.	5971.	280.	.0447	6250.	5971.	280.	.0447	6348.	6034.	314.	.0494
Mississippi	3396.	4066.	−670.	−.1974	4452.	4452.	0.	.0000	4452.	4452.	0.	.0000
Missouri	4839.	5148.	−309.	−.0638	4839.	5236.	−397.	−.0819	4772.	5239.	−467.	−.0979
Montana	5469.	5590.	−121.	−.0222	5469.	5590.	−121.	−.0222	5215.	5534.	−319.	−.0611
Nebraska	5796.	5442.	354.	.0611	5796.	5442.	354.	.0611	6027.	5354.	673.	.1117
Nevada	5007.	5756.	−749.	−.1496	5007.	5756.	−749.	−.1496	5017.	5777.	−760.	−.1515
New Hampshire	5595.	6012.	−417.	−.0745	5595.	6012.	−417.	−.0745	5678.	5911.	−233.	−.0410
New Jersey	5830.	5869.	−39.	−.0067	5830.	5869.	−39.	−.0067	5895.	5923.	−28.	−.0048
New Mexico	4612.	4943.	−331.	−.0717	4612.	5060.	−448.	−.0972	4611.	5093.	−482.	−.1045
New York	6687.	6237.	450.	.0674	6687.	6237.	450.	.0674	6593.	6044.	549.	.0832
North Carolina	4368.	4260.	109.	.0248	4452.	4715.	−263.	−.0590	4452.	4596.	−144.	.0323
North Dakota	5796.	5754.	42.	.0072	5796.	5754.	42.	.0072	6027.	5649.	378.	.0627
Ohio	5141.	5380.	−239.	−.0464	5141.	5380.	−239.	−.0464	5055.	5546.	−491.	−.0971
Oklahoma	5284.	4766.	518.	.0980	5284.	4895.	389.	.0737	5262.	4859.	403.	.0767
Oregon	6468.	5849.	619.	.0957	6468.	5849.	619.	.0957	6410.	5911.	499.	.0778
Pennsylvania	5822.	5411.	411.	.0705	5822.	5411.	411.	.0705	5933.	5408.	525.	.0931
Rhode Island	5704.	6418.	−714.	−.1252	5704.	6418.	−714.	−.1252	6480.	6164.	316.	.0488
South Carolina	3672.	4150.	−478.	−.1302	4452.	4452.	0.	.0000	4452.	4452.	0.	.0000
South Dakota	5544.	5761.	−217.	−.0392	5544.	5761.	−217.	−.0392	5385.	5786.	−401.	−.0745
Tennessee	3932.	4362.	−430.	−.1095	4452.	4658.	−206.	−.0462	4452.	4602.	−150.	−.0336
Texas	3864.	4574.	−710.	−.1838	4452.	4700.	−248.	−.0557	4452.	4694.	−242.	−.0544
Utah	5830.	5063.	767.	.1316	5830.	5063.	767.	.1316	5857.	5041.	816.	.1393
Vermont	6695.	6099.	596.	.0890	6695.	6099.	596.	.0890	6065.	6147.	−82.	−.0135
Virginia	5502.	4667.	836.	.1519	5502.	4767.	735.	.1336	5027.	4775.	252.	.0501
Washington	6376.	6120.	257.	.0402	6376.	6120.	257.	.0402	6461.	6025.	436.	.0675
West Virginia	4780.	5212.	−432.	−.0903	4780.	5212.	−432.	−.0903	4564.	5140.	−576.	−.1262
Wisconsin	6536.	5914.	622.	.0952	6536.	5914.	622.	.0952	6707.	5964.	743.	.1107
Wyoming	5250.	5613.	−363.	−.0691	5250.	5613.	−363.	−.0691	5083.	5594.	−511.	−.1006

Source: Congressional Research Service (1979).

therefore, is the average maximum AFDC and Food Stamp benefits available to individuals in states contiguous to any given state. Column 2 shows this average figure. Thus, for example, Massachusetts, which has a guarantee level of $6,015 for a family of four, has neighbors whose maximum benefit level averages $6,300. Column 3 shows the difference between the state in question and the average for contiguous states. Negative differences indicate that the state is relatively low in its provision of assistance and Food Stamps compared to neighboring states. Thus, Arizona, which has a guarantee level of $4,469, is $923 below its neighbors. These disparities among contiguous states mav be viewed as undesirable because they cause undue pressure for migration.

If one takes the average of Column 1, the average guarantee among the states is $5,399 with a standard deviation of $1,004. Thus the coefficient of variation is 18.6%. One may view the national equity problem as the extent of the coefficient of variation in the column of guarantees.

One of the remarkable characteristics of the Carter proposal was that the complex matching requirements, which would appear to have changed current law dramatically, actually left the matching rate identical to current law. The level of benefits under the Carter proposal is represented in Column 5 of Table 1 and is the larger of the minimum guarantee, $4,452, and current law in 1979. The mean guarantee under Carter's proposal is $5,491 with a standard deviation of $875. The coefficient of variation in benefit levels is 15.9%.

The Ullman proposal, which as noted previously contained federally mandated guarantee levels and benefit reduction rates, did provide for interstate variation in benefit levels. It did so by tying the minimum guarantee to 30% of the median family income for a family of four in each state (based on pretax, pretransfer income). Column 9 of Table 1 displays the guarantee levels that would result under this fixed formula proposal. Overall, the average guarantee would be $5,470 with a standard deviation of $798 and a coefficient of variation of 14.6%. This constitutes about a 25% reduction in interstate benefit differentials and a 1% reduction in the amount of contiguous state disparities. Thus, if one compares the Carter and Ullman proposals to current law, one finds that interstate disparities are reduced by the Ullman proposal. Moreover, under the Ullman proposal there would be much greater certainty in benefit levels among states since guarantee levels would be entirely federally mandated. By contrast, under Carter's proposal, there was the possibility that states might continue to exacerbate the interstate differentials because the matching rates would effectively be the same as current law, i.e., between 50% and 80% depending on the state's inverse per-capita income.

Over time, both the Carter and Ullman proposals would increase the amount of assistance available in response to inflation. The impact of this increase under the Carter proposal would have been to freeze the relative distribution displayed in Column 5 of Table 1. Under the Ullman proposal, states which had relatively low benefit levels would have had their guarantee levels increased by more than the inflation rate until reaching a predetermined target level. This target level was set at a specified fraction of median family income. On the other hand, states whose guarantees were above 30% of the median family income for a family of four would have had their guarantee levels eroded by inflation until they reached the target. Thereafter, the guarantees would be indexed by the inflation rate. Table 1 assumes such erosion has occurred in the few states whose guarantees in 1979 exceeded 30% of the median family income.

An important source of cost differentials between the Carter and Ullman plans was the increment in guarantee level resulting from differential family size. Under the Ullman plan, the increment was not available, and the guarantee level was fixed based on a family size of four. Under the Carter proposal, on the other hand, there were mandated increments for family size. The Carter program should thus be viewed as being superior to the Ullman proposal as well as superior to current law which increments differentially depending on the program in question. Under Food Stamps, for example, the guarantee level is now incremented based on budget studies and on inflation rates in the cost of food. AFDC on the other hand does not change unless acted upon by the states.

Single individuals receive no cash assistance under any federal program and thus are eligible only for Food Stamps. Under the Carter proposal, single individuals would have been provided cash assistance. Similarly, intact families are not eligible for assistance in some states because these states have not adopted the optional AFDC-UP (Unemployed Parent) program to assist intact families. Again, under current law, the guarantee level for intact families in states which have adopted the AFDC-UP program is entirely under the control of the state.

Thus, with regard to equity considerations that depend on family size or family composition, the Carter program may be viewed as superior both to current law and to the Ullman proposal. Also, the Carter program was universal in coverage, whereas current law does not provide assistance to individuals or to childless couples. The Ullman proposal continued current gaps in coverage and did not provide assistance for single individuals and childless couples.

Another aspect of equity involves the responsiveness to changes in the economic circumstances of families. Under the Carter proposal, a long accounting period (6 months) was proposed. As a result, families that had sudden changes in employment or marital status that resulted in inadequate incomes could not become eligible for benefits until the 6-month waiting period had elapsed. Under the Ullman proposal, a 1-month retrospective accounting period was used, which made the proposal quite responsive to changes in income circumstances. To offset the increased cost which a very short accounting period might entail, the Ullman proposal contained an ingenious program of "recoupment" of excess welfare benefits which would be administered through the tax system. Under recoupment, beneficiaries who had significant earnings for part of the year were required to pay back excess transfer payments when filing their taxes on April 15. For such beneficiaries, the transfers of cash and Food Stamps were viewed in effect as loans which, due to the overall annual earnings of the beneficiaries, were to be repaid at the end of the year.

Both the Carter and Ullman proposals made the earned income-tax credit, which is available under current law, immediately refundable through the withholding system. Interestingly, this feature of the Carter and Ullman proposals was enacted as part of the tax reform act of 1978.

Feasibility

With regard to managerial feasibility, the Carter proposal might be viewed as bordering on a disaster. For example, the Administration recommended the creation of computer centers to be run by each of the states. These state computers would feed into a central computer system in Baltimore to be controlled by the Social Security Administration. Discussions with computer experts from the academic community and the Department of Defense indicated that such a computer system would be larger than anything currently known to exist. This would include the ARFA system, which took 10 years to become operational. Moreover, the General Accounting Office, which investigated the manner in which the Administration administered computer resources in the SSI program, reached the conclusion that the Social Security Administration should not be permitted to have any additional computers until it used those currently in storage. When reviewing the computer component of the Carter proposal, the Welfare Reform Committee voted down the Administration's proposal for a national computer network with the state control of the input information. An important consideration in making this decision was the Committee's belief that to have state control of input and federal liability for part of the cost would insure high levels of erroneous information and higher federal cost.

Both the Carter and Ullman proposals presumed that there would be large-scale, public-sector job creation. To date, the country has not had much experience with programs on the order of $8 to $13 billion—the price tag associated with the jobs portion of the Carter bill. Until very recently, the Comprehensive Employment and Training Act (CETA), has not been an income-conditioned, job-creation program. Rather, it has been a way to achieve employment stability through local governments. Several studies have demonstrated that CETA has simply resulted in keeping municipal employees from being laid off as a result of fiscal conditions at the local level. It would be reasonable to question, therefore, whether the jobs portion of either the Carter or Ullman proposal would be managerially feasible. The Carter proposal appeared to be analytically neat in that there would no longer be a Food Stamp or an SSI program. Instead, there would be one administrative unit to provide cash assistance to the needy. However, serious doubts about the computer capability essential to such a system lead one to question its feasibility. By the same token, the consolidation of the Food Stamp and AFDC programs entertained under the Ullman proposal, which would entail a single application form, a more common definition of income and assets, and a more consistent definition of the filing unit, still leads one to question whether even this more modest consolidation could be managed.

The Carter proposal maintained the current practice of state or state and local administration, and at the same time maintained state level computerization. By contrast, the Ullman proposal moved to state-only administration, which while logical, would take considerable time to implement. States such as Michigan, which have gone from a state-local system to a state-only system, have taken anywhere from 3 to 5 years to smooth out relations between state field offices and the state central office. While the Ullman proposal achieved a responsiveness in the provision of assistance by using a short accounting period, it relied on recoupment of excess welfare payments through the tax system in order to maintain overall cost control. But the Internal Revenue Service (IRS) and the Department of Treasury's review of recoupment raised serious questions about whether such a system could be managed. IRS claimed that forcing its agents to go into low-income areas of core cities could cause significant difficulties in raising even very modest sums of revenue. With regard to the refundability of the earned income-tax credit proposed by Carter and Ullman, it is likely that we will now have some real experience with the degree to which the tax system can provide such welfare benefits through the withholding system.

Whether existing institutions would be able to successfully implement the proposed changes is very much an open question. The

Carter proposal was relatively silent on how its new program of cash assistance would be administered. As noted, there was significant skepticism about the ability of computer technology to administer an on-line system of eligibility determination and benefit payout for 25 to 30 million individuals. The Ullman proposal required very clear changes in operating procedure and would have required substantial coordination between the Food Stamp and AFDC programs. The Departments of HEW and Agriculture were required to issue joint regulations and presumably something like this could be achieved. Also, the public service, job-creation portion of the Ullman proposal was to be administered through a revised WIN program. While clarity and symmetry were an important part of the Ullman proposal, it is still unclear whether existing agencies, especially the Employment Service and the federal Department of Labor, would accept these clarifications of responsibility. On the other hand, ambiguity can be an important source of authority and power, and may permit states to more naturally evolve efficient relationships between the local employment service office and the federal department itself.

The political feasibility of the Carter and Ullman proposals is quite easy to assess and in retrospect indicates why comprehensive welfare reform did not occur. In late 1977, the Food Stamp program was materially amended after considerable debate in the Congress. The 1977 amendments to the Food Stamp law resulted from urban, liberal interests and rural, conservative interests liberalizing Food Stamp benefits. The effective date of the amendment was not until 1979, so the Carter proposal could be viewed as trying to erase a series of changes which the Congress had made, but not yet put into effect. Also, the Carter proposal contained, as indicated earlier, a fair amount of deception as to its ultimate budgetary impact. Furthermore, the draft bill contained numerous technical errors. Both these factors antagonized the Congress. Coupled with the lack of agency support for the program by providing accurate analysis to the Congress, it was easy to predict that the Carter proposal would never be broadly accepted in the House or Senate.

The Ullman proposal benefited from being much less costly and more technically coherent than the Carter bill. As the Carter bill worked its way through the Welfare Reform Committee, it was clear that a vote on Carter versus Ullman would be quite close. History notes that on that up or down vote, the Ullman bill lost and the amended version of the Carter bill won. What history does not report, but which was factually the case, was that Ullman elected not to ask two of the Ways and Means Committee members of the Welfare Reform Committee, who would have responded if asked, to support his bill. The close vote by the Welfare Reform Committee for the Carter bill meant that welfare reform in the House was dead, for a close vote in a friendly, liberal committee meant that the Carter proposal could never be passed by the full House of Representatives.

Beyond the issue of aggregate costs, the political feasibility of the Ullman and Carter bills hinged in good measure on whether the states (especially representatives of the National Governors' Conference) supported either proposal. An important element in their support was the degree of fiscal relief provided to the states. Lobbyists for the Governors' Conference named a price tag of $1.5 billion as the minimum amount of fiscal relief they would accept in exchange for their support. For those who were ultimately involved in the negotiations between the Administration and the Governors' Conference, or between the Congress and the Governors' Conference, it is a sad commentary that fiscal relief became a far more important issue than providing financial assistance to the poor. In retrospect, the price tag of $1.5 billion may have been the stumbling block for any welfare reform proposal to the Congress.

Correctibility and Impact on Future Options

The Carter bill, because it was a comprehensive proposal, was properly viewed by the Congress as a high-risk proposition. If the "cashing out" of Food Stamps was not successful—and there was reason to believe that low benefit states might be unwilling to give the poor significant additional amounts of cash instead of Food Stamps—there would be no easy way to provide assistance to the poor. In short, once eliminated, the Food Stamp program might prove very difficult to bring back. In this respect at least, the Carter proposal must be given a low score on correctibility. The Ullman proposal, on the other hand, because it constituted a series of incremental changes in current AFDC and Food Stamp law, was probably more correctible than the Carter proposal. However, neither proposal systematically generated information which could be used to redirect the program if it departed from its intended course. Under the Ullman bill, penalties were imposed on states whose error rate was above certain thresholds; however, there has been little experience with the use of error rate penalties in encouraging states to improve their administration of the AFDC or Food Stamp program.

While the Ullman proposal constituted an incremental consolidation of AFDC and Food Stamps, it should be noted that it would permit later, complete federalization of the program by combining Food Stamps and AFDC into a cash program. Carter's proposal, on the other hand, was a national program from the outset, although as previously noted, it presented serious questions of feasibility. If one takes administrative and managerial feasibility into account, and especially if one takes political feasibility into account, in retrospect one can say Ullman's proposal rather than Carter's would be the long-run comprehensive approach to welfare reform because it permitted incremental changes in the welfare system which could be evaluated in stages. The Carter proposal, because it was not very feasible, might be viewed as futile rather than comprehensive.

Incentives

Significant research has gone into the work incentives implied by current AFDC and Food Stamp law. If one takes into account the benefit reduction rates under AFDC, Food Stamps, and the earned income-tax credit, there is a net tax on earnings of 75%. Put another way, individuals who earn a dollar get to keep only 25¢ as a result of the reduction rate inherent in AFDC, Food Stamps, and the earned income-tax credit. There is evidence that such implicit tax rates discourage work. Under the Carter proposal, the single-parent family would face an implicit tax rate of 60% on earnings of up to $333 per month, and 65% thereafter. While this implicit tax rate is below current law, it is still quite high. Under the Ullman proposal, single-parent families would face an implicit tax rate of 53% on earnings up to $416 a month, 73% on earnings of $416 to $595 per month, and 53% again on earnings above $595 per month. Ullman thus achieved a lower effective tax rate on earnings up to $416 a month than either Carter or current law, and then a much higher tax rate than Carter from $416 to almost $600 a month. Thus, incentives under the Ullman proposal, although more complicated than under the Carter proposal or current law, certainly would provide more incentive for low-income families to work and thereby avoid complete dependency on public largess.

With regard to incentives for improved administration, it is clear that current law provides only very modest incentives and penalties for maladministration of AFDC, and absolutely none under the Food Stamp program. Under the Carter proposal, there were no incentives for improved administration, and in fact by separating the states' responsibility for inputting data into the computer system from the federal government's control of payments, it probably created some perverse incentives for greater errors than we currently suffer. Ullman, by contrast, required states to pay half the value of errors on Food Stamps and AFDC in excess of 5%. Errors would be measured under the Ullman plan for both under- and overpayments.

With regard to incentives for job creation, it is fair to say that current law creates no positive incentive for local employment offices to create jobs for the poor. In fact, there has been widespread criticism of the current "balanced employment" formula which allocates employment service money. Local employment service offices have been accused of "creaming" their employment pools for those individuals who are most readily employed. As a result, the hard-core poor are often the last to be employed. Under the Carter proposal, there were few incentives for job creation. In fact, because job creation was to occur at the local level under CETA prime sponsors, while fiscal responsibility for new cash beneficiaries was placed at the state level, there was apt to be no incentive for creating new jobs. Under the Ullman proposal, by contrast, states were to pay two-parent benefits entirely without federal assistance. On the other hand, public sector wages were to be entirely federally funded. This created a strong incentive at the state level to create public sector jobs rather than to pay state-financed benefits.

Currently, there are very few private sector incentives to employ the poor. While there has been for some time a WIN tax credit to employers of certain qualified low-income individuals, the tax credit has been widely criticized as ineffective. The Carter program did not provide any new incentives to the private sector to hire individuals, while the Ullman program, through its targeted new jobs credit for poor individuals, did provide employers with significant tax advantages in excess of those available under the WIN credit for hiring the poor. Under the new jobs credit, tax relief to employers was available if they hired individuals who had not taken a private sector job after 4 weeks of waiting. Public sector jobs would only become available after 8 weeks of waiting time.

Accountability is not very apparent under current AFDC or Food Stamp laws. Indeed, no state has ever had its federal funds for AFDC cut off because of maladministration. Appeals which are state-controlled under AFDC are quite complicated and vary among states. Under the Carter proposal, recipients were accorded additional rights and the appeals procedure was clarified. Administration of the Carter proposal was thought to be enhanced by providing access to tax return information. These disclosure provisions could have become quite controversial and constituted a new invasion of privacy.

Under the Ullman proposal, as noted above, there were fiscal sanctions against nonperformance of AFDC and Food Stamp administration. The penalties for such errors could be construed to constitute accountability. However, because the effectiveness of such incentives has never been evaluated, it is not clear whether they would have been effective.

Side Effects on Other Programs

Under current law, eligibility for AFDC also provides eligibility for social services under Title XX and for medical assistance under the Medicaid program. Among welfare assistance programs that are federally financed, the Medicaid program has grown most rapidly and has also caused the greatest administrative problems for the states. Under the Carter proposal, Medicaid eligibility would have been materially increased because individuals currently getting Food Stamps would instead receive cash assistance and thereby become eligible for Medicaid. This would mean that somewhere between 8 and 12 million additional individuals would have been added to the Medicaid rolls. The Carter proposal contemplated this increased enrollment and had some recommendations to the states that they create two types of Medicaid programs—the old and the new—and, in effect, perform a dual eligibility determination under the new welfare system. However, during testimony before the Welfare Reform Committee, it became clear that states would feel inordinate pressure to make all new cash beneficiaries eligible for Medicaid. This would have greatly increased the cost of the administration's program.

Under the Ullman proposal, because Food Stamps was kept intact, there was not likely to be any massive increase in Medicaid eligibility. In states which would be raised to the $4,200 minimum for a family of four, there was likely to be some increase in Medicaid eligibility; however, the increase was not expected to be nearly as large as that under the Carter proposal.

SUMMARY AND CONCLUSIONS

This essay comparing the Carter and Ullman welfare reform proposals leads one to conclude that the Carter proposal, because it was far more costly, administratively complex, and poorly thought out in terms of incentives, was not likely to achieve the comprehensive reform it sought. Indeed, any thoughtful observer of Carter's welfare reform proposal might have concluded that it was doomed from the outset. Disingenuous cost estimates, coupled with politically unrealistic suggestions for change in the wake of recent Congressional action, were bound to elicit Congressional disfavor. The Ullman proposal reflected a much more coherent approach to welfare reform and a much greater sensitivity to current institutions and practice. Nonetheless, neither proposal was enacted by the Congress, perhaps because of the worsening fiscal situation, the Proposition-13 mentality, and the need to address other more pressing concerns—especially energy legislation.

Designing a system of laws that will, with a reasonable probability, actually achieve greater welfare equity is clearly a very difficult task. The issues of how the federal government should relate to the states, whether incentives will in fact be workable, whether the levels of certainty and risk associated with change are within reason, and whether the proposal will have some unexpected effects on existing programs and thereby increase the level of chaos in the welfare system, are all quite difficult to assess when designing a new system. Moreover, the kinds of detail and information required to coherently build a proposal which addresses the concerns laid out above, are certainly at the limit of our current technical knowledge. In many instances these requirements are well beyond the sort of information which the academic community may be reasonably expected to accumulate.

Welfare reform, when viewed in an academic context, has been almost entirely a matter of incentive effects on willingness of the poor to work. The matters of whether the state should administer the system or continue to share that responsibility with their localities and whether the structure of the WIN program makes administrative sense are not issues which the academic community has addressed very extensively. Nor are they matters about which agencies of the federal government—responsible for administering these programs—have reasonably complete information. Yet, within the context of contemplating change, these are natural questions which the legislative branch of government must address. Change of any sort involves risks—particularly, risks of making the system less workable and less equitable. But the role of analysis should be to demonstrate how such risks can be minimized.

This review of the Carter and Ullman proposals leads one to the conclusion that the Ullman proposal was the more likely and workable step in achieving welfare reform. There is an additional lesson to be learned if one accepts the evaluation provided here. This lesson concerns the manner in which such proposals should be authored. The Carter proposal had a long and complex period of gestation which involved participation by all the relevant executive branches of government—the Treasury, the Departments of Agriculture, Labor, and HEW—as well as participation by representatives of the poor and some participation by Congressional staff. Such a complex process was bound to cause many compromises which, when initiating a proposal, may decrease its overall coherence. By contrast, the Ullman proposal was written by three individuals in response to something that had already been proposed, namely, the Carter proposal. Smaller groups of individuals can, of course, always create a more coherent document. Of course, it is not clear, had both proposals been submitted to the normal Congressional process of consideration by the three standing Committees of the House and their respective subcommittees, how either proposal would have fared. Nonetheless, other things being equal, a coherent and internally consistent proposal based on careful analysis will stand a decent chance of enactment and implementation. The role of policy analysts is to produce such proposals—whatever their political fate might be.

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FOOTNOTES

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