

Four decades of antipoverty policy: Past developments and future directions

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During the past four decades, the Institute for Research on Poverty (IRP) has made fundamental contributions to the study of antipoverty policy. Researchers associated with IRP have been key participants in many of the important debates of those years.¹ In this brief article, I must necessarily address only certain aspects of this history. My focus will be on means-tested transfer programs for the low-income population and how they have evolved over the last four decades. I review that history, discuss general lessons to be drawn from it, provide some thoughts on the political economy of means-tested transfers from the perspective of an economist, and speculate on future directions.

Historical overview

Over the last four decades, researchers, policymakers, and the media have paid most attention to the cash-transfer program, primarily for single mothers, known as Aid to Families with Dependent Children (AFDC) prior to 1996 and as Temporary Assistance for Needy Families (TANF) thereafter. This attention was never more intense than in the few years following 1996, when welfare reform and TANF reform were virtually synonymous in most discussions. Despite this intense attention, TANF ranks only sixth in the list of major means-tested transfer programs in terms of expenditure, as shown in Table 1. Medicaid is by far the largest expenditure program, followed by Supplemental Security Income (SSI), the Earned Income Tax Credit (EITC), Food Stamps, and Subsidized Housing. Medicaid expenditures include the aged, blind, and disabled, but single mothers and their children are 25 percent of the total, which still leaves it as the largest expenditure program if only that group is included. TANF also ranks sixth in terms of caseload and seventh in terms of expenditure per recipient. The lower relative ranking of the TANF program reflects the marked decline in expenditures in the program since 1990, when they equaled \$28,508 (millions of 2004 dollars).

The contraction of the AFDC-TANF program does not reflect long-term changes in antipoverty expenditure,

and obscures the secular increase in real expenditure on means-tested transfer programs taken as a whole. Indeed, Figure 1, which shows expenditures since 1968 in the 80 largest programs in the country, indicates that per-capita expenditure on means-tested programs is higher today than ever in its history. The enormous growth in real expenditure that occurred in the late 1960s and early 1970s, chronicled in so many historical accounts of antipoverty policy, was followed by a decade (approximately 1978–1988) of flat expenditure growth, although the stability of expenditures in that period masks a decline in AFDC expenditures combined with expenditure growth in the Food Stamp program, housing, and child care programs.² The period of flat growth, however, was followed by an explosion in expenditure that occurred more

Table 1
Annual Expenditures and Caseloads of Nine Large Programs, FY 2004

	Expenditures (millions)	Caseloads ^a (thousands)	Expenditures per Recipient ^b
Medicaid	\$300,300	56,100	\$5,353
SSI	39,839	7,139	5,581
EITC	34,012 ^c	19,163 ^d	1,775
Food Stamps	30,993	24,900	1,245
Subsidized Housing ^e	29,844	4,576 ^f	6,522
TANF	14,067	4,746	2,964
Child Care	11,854 ^g	1,743 ^h	6,801
Head Start	8,469	906	9,348
Jobs and Training	7,007	1,175 ⁱ	6,645 ⁱ

Source: K. Spar, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2002–FY2004*, Table 14 (Washington: Congressional Research Service, 2006).

Note: Federal and state and local spending are combined unless otherwise noted.

^aNumber of individual recipients unless otherwise noted.

^bRatio of first column to second column, multiplied by 1,000.

^cRefundable portion only.

^dNumber of tax units.

^eSection 8 and public housing (federal only).

^fNumber of dwelling units.

^gChild care and development block grant (CCDBG) and TANF child care.

^hCCDBG only.

ⁱFY 2002.

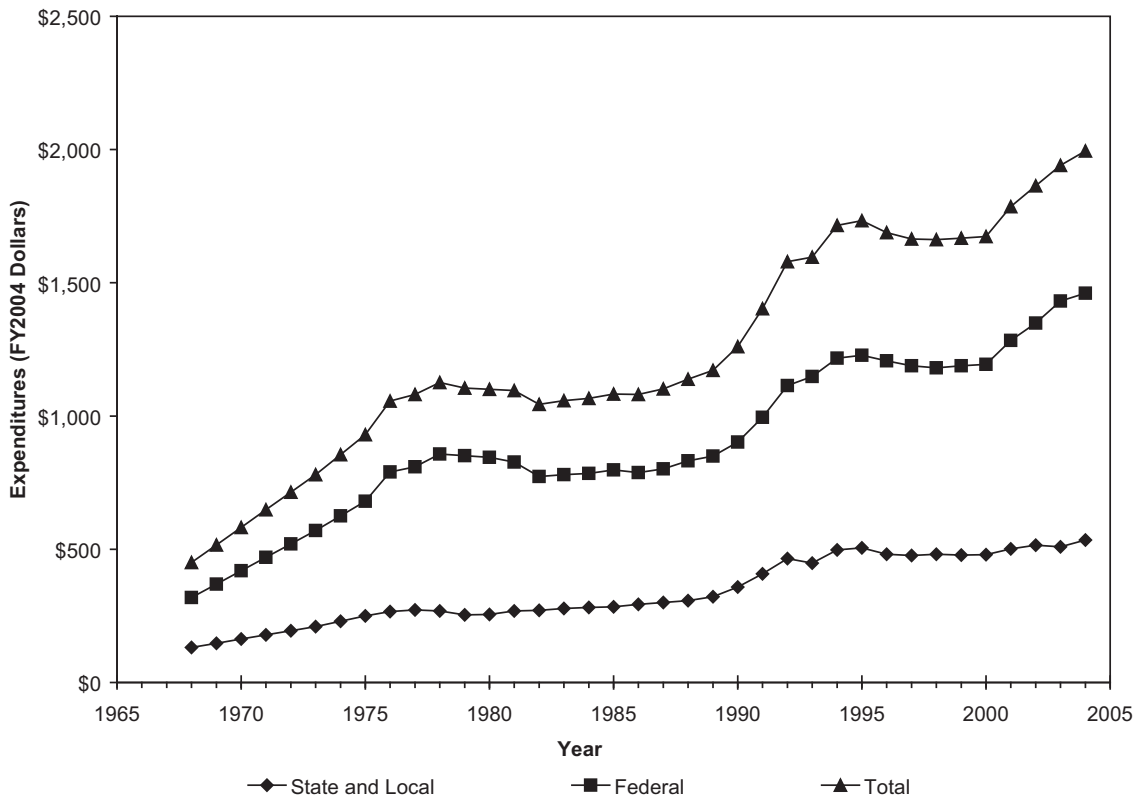


Figure 1. Real per-capita expenditures on means-tested transfers, 1968–2004.

Source: K. Spar, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2002–FY2004* (Washington: Congressional Research Service, 2006), Tables 3 and 4; U.S. Census Bureau, *Statistical Abstract of the United States: 2006*, Table 2, (Washington: Government Printing Office, 2006).

rapidly—in the space of six years, from 1990 to 1996—than even the growth in the first period. After another period of flat growth, expenditures have risen sharply again since 2001.

Table 2 shows expenditure in the two most recent growth periods, 1990–1996 and 2001–2004. In both periods, Medicaid has been the leader, experiencing a large growth of 89 percent in the first period and 24 percent in the second. Expenditures going to single mothers and their children have stayed at about 25 percent of the whole, so the growth has not been solely the result of increased expenditure on the elderly. As a share of total growth over the periods, Medicaid accounted for 59 percent and 75 percent, respectively. Medicaid was expanded in the late 1980s to cover more families in the low-income population and expenditure growth has also been associated with general increases in health care costs and the decline in private health insurance coverage. There are many other medical programs for the low-income population as well (for example, the State Children’s Health Insurance Program, SCHIP, has expenditure just below any of those in Table 1) and expenditure on medical programs as a whole took up 80 cents of every state-and-local dollar and 46 cents of every federal dollar in 2004.³

Nevertheless, expenditure growth in nonmedical programs has been significant, particularly from 1990 to 1996. Both the EITC and SSI grew dramatically over that period. The EITC, in existence since 1975, was greatly expanded by federal legislation in 1990 and 1993 to increase support to the working poor. SSI growth in the 1990s was driven by increases in the fraction of the caseload that was disabled and by court decisions expanding eligibility for disabled children. Although SSI is something of a special case, much of the growth in Medicaid and EITC coverage was clearly traceable to policy decisions to expand support for the low-income population.⁴

The growth of expenditures from 2001 to 2004 was smaller than that from 1990 to 1996, although this may be because the period was shorter and growth may continue into the future. Growth in this period was even more dominated by the Medicaid program, although Food Stamp expenditures also grew significantly. Outreach efforts were expanded in the Food Stamp program and there is some evidence that some former TANF recipients returned to the Food Stamp rolls.

The net result of these developments is larger public expenditure on the low-income population, taken as a

Table 2
Real Expenditures in Six Major Programs, FY 1990–FY 2004
(in millions of 2000 dollars)

	AFDC-TANF	FoodStamps	Medicaid	EITC ^a	Housing	SSI
1990	\$26,336	\$21,971	\$90,054	\$6,588	\$18,007	\$21,408
1996	25,310	29,230	170,350	25,750	21,248	34,277
Percent change	-4%	33%	89%	291%	18%	60%
Share of growth ^b	1%	5%	59%	14%	2%	10%
2001	\$13,317	\$20,614	\$223,362	\$28,824	\$23,727	\$36,319
2004	12,995	28,632	277,424	31,421	27,571	36,804
Percent change	-2%	39%	24%	9%	16%	1%
Share of growth ^b	1%	11%	75%	4%	5%	1%

Source: V. Burke, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data* (Washington: Congressional Research Service), *FY1990–1992* (1993, Table 12), *FY1996–FY1998* (1999, Table 12), *FY2000–FY2002* (2003, Table 14); K. Spar, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2002–FY2004*, Tables 3 and 14 (Washington: Congressional Research Service, 2006).

Notes:

^aRefundable portion only

^bShare is taken as a percentage of total growth in the 80 largest programs whose per capita growth is shown in Figure 1.

whole, than at any point in the last 40 years. Having said that, it is also clear that there have been major changes in the groups receiving assistance and in the type of assistance received. There has been a shift away from assistance to single mothers to working families as a whole (EITC) and to disabled adults and children (SSI), and there has been a shift away from unconditional cash support (AFDC-TANF) and toward in-kind transfers for health care (Medicaid), food assistance (Food Stamp program), and related programs.

Lessons

First, for whatever reasons, programs that provide in-kind transfers have been more favored than those providing cash support, as have programs which support groups that have a characteristic thought to be deserving. Medicaid, SSI, Food Stamps, housing, and child care programs all fall into this category. Many researchers historically have preferred pure cash transfers, which allow recipients the most flexibility to define their own needs, but policy has clearly moved in a different direction. The primary unrestricted cash program, AFDC-TANF, has, as we have seen, dramatically declined in importance. The EITC, which also provides cash assistance, does so only for a special group—workers—and hence fits the rule as well.

The AFDC program was, however, always characterized as a categorical program because it also provided benefits to a special group—single mothers. However, this is a case of a special group that was once favored having changed to one that is no longer. Single mothers at the

time of the inception of the program in 1935 were primarily widows, a group generally thought to be particularly deserving. The caseload shifted in the 1960s and 1970s to one composed disproportionately of divorced mothers, a less sympathetic group. In the 1980s and 1990s, the composition of the caseload shifted once again, this time to unmarried mothers, a group which many voters find particularly unsympathetic.⁵ Nevertheless, this cannot be the only explanation for the decline in the popularity of TANF. The program could have been broadened to include married families, for example. In addition, there are many other programs which disproportionately furnish benefits to single mothers but are still favored by policy, such as Medicaid, housing, and child care programs. Therefore it is likely that the open-ended cash transfer nature of AFDC and TANF led to its unfavored status.

The decline of the TANF program has given further impetus to the growth of categorization, defined as a system which provides different benefits to different special purpose groups defined by characteristics, rather than a general program providing benefits simply for being poor. The population of former TANF recipients, and the population of women who are not entering TANF because of the reforms, still have many needs—for child care, for physical and mental health services for themselves and their children, for substance abuse programs, for domestic violence assistance programs, and others from a longer list. Without a central cash program to coordinate these services, they must be provided independently and individually to those who most need them. As these programs grow, they will constitute an ever-increasing categorization of the population into “boxes”

of types of families who are eligible for, need, and, one must hope, receive a different set of services or combination of services. As will be noted below, this may lead to some families falling through the cracks and not obtaining services they need.

A second lesson from the last four decades of antipoverty policy is that work is of primary importance to policymakers and voters. The EITC is the most obvious example of this; work requirements and reductions in marginal tax rates in the TANF program are another. The emphasis on work in U.S. means-tested transfer programs has been developing for over 30 years, with gradually increasing work and training requirements in transfer programs. The EITC and TANF developments should be thought of as a culmination of long-term trends rather than as a sharp break from the past.

Nevertheless, the emphasis on work has to be considered secondary to the worthiness principle. The large expansion of the SSI and Medicaid programs, for example, is not tied to work in any meaningful sense of the word. The housing and Food Stamp programs have introduced work requirements but only in a minor way; those programs continue to be received heavily by nonworkers. It would be a mistake to assume that policies for nonworkers cannot find political support; such programs can flourish when they are associated with specific and socially valued needs.

The emphasis on work and increasing categorization operate, to some extent, against each other, because categorical programs tend to lead to high cumulative marginal tax rates on earnings and hence larger disincentives to work. Policymakers have not seemed interested in addressing this problem. However, it is my long-standing view that we need to carefully consider the case that high cumulative marginal rates constitute a serious problem, in light of the fact that lower rates would extend benefits higher up into the income distribution and reduce work incentives for other groups. The issue is not whether the rates should be lower. It is, rather, who should face the high rates—those at the bottom of the income distribution or those a bit higher up. In fact, with the expansion of the EITC, cumulative marginal rates just above the very bottom are not so high. It is not obvious that those rates should be increased in exchange for lowering them at the bottom.

A trend related to the increasing emphasis on work is the declining emphasis on human capital development programs. In TANF, education and training aspects of work activity requirements have been largely eliminated, a major change from the increasing emphasis on such an approach throughout the 1970s and 1980s. Training programs such as the Job Training Partnership Act and the Workforce Investment Act have never been a major part of the U.S. system of means-tested transfers, and Head Start is even smaller. This is a fairly surprising development given the increasing emphasis on work and the

conventional view that policymakers and voters think of self-improvement as a desirable route to well-being. It is the more so because training is not dissimilar to education, and education continues to receive strong political and popular support.

We can envisage several different reasons for these conflicting views. Legislators may perceive that human capital programs have a low rate of return, or perhaps legislators think that the rate of return to human capital investment from work per se (“learning by doing”) is greater than that from formal education and training programs; the empirical support for this proposition is, however, extremely tenuous. Or perhaps the particular training programs implemented in the past have fallen into disfavor because they have indeed been used as a means to avoid work by the recipient population.

I have noted elsewhere that the long-term categorization and work-emphasis trends in the U.S. system of means-tested transfers represent a decisive rejection of the idea of a negative income tax (NIT) as conceived by Friedman, Lampman, and Tobin.⁶ All these writers (Lampman is something of an exception—he believed that some categorization was still desirable) perceived an NIT as replacing other programs and providing work incentives in a single program where cumulative marginal tax rates could be kept to a reasonable level. This idea has indeed been soundly defeated, although one has to credit the NIT with first introducing the idea of financial work incentives in transfer programs, and that idea is now dominant, albeit in other forms.

One of the critiques of categorical systems made by the early NIT advocates was that categorical systems which make benefits available to populations with special characteristics give individuals and families in the population an incentive to change their characteristics to become eligible. Restricting benefits to single mothers is the most obvious example of this effect, but the growth of SSI also gives parents an incentive to classify marginal children as disabled according to SSI rules, for example. Policymakers seem oddly unwilling to address this issue, despite the overwhelming evidence of marriage disincentives in the current system. The empirical evidence that those incentives are acted on is somewhat weaker, although I believe that the evidence supports the view that AFDC had a behavioral effect on family structure which, though not excessively large, was large enough to warrant policy concern.⁷ However, current federal policy toward marriage has taken other directions, and is not addressing these major financial issues. The public policy response to categorization incentives is even more odd in light of the EITC growth and the reduction of TANF marginal tax rates, both policies which seem to indicate that policymakers have finally realized that incentives matter (the entire 1996 welfare reform could be similarly viewed). Legislators understand this issue but not the incentives induced by increased categorization.

Thoughts on the political economy of means-tested transfers

The two primary implications of the past four decades of antipoverty policy—increased categorization and increased emphasis on work—presumably arise from a desire by policymakers and voters to redistribute in this form. The source of this desire is a question of interest, without easy answers. The favoring of programs which provide in-kind benefits may be a result of political support coming from the producers of those goods (agriculture, the medical sector, and so on). But the desire for increased categorization is also often traced to a basic paternalistic impulse to impose the public's preferences on the recipient, and to prevent the recipient from spending transfers on goods which the voter does not think worthwhile. There is also an "efficiency" argument for in-kind transfers which posits that different individuals are in more need of different types of goods (or, to state it more formally, different individuals have different marginal utilities for food, medical care, housing, etc.) and that in-kind transfers concentrate benefits on those who need them the most, whereas cash transfers are too diffuse and provide income which recipients spend partially on low-need goods as well as high-need goods. Although this is theoretically a distinct rationale for the desire for in-kind transfers, it is not inconsistent with the paternalistic view; probably the two are not distinguished in the voter's or policymaker's mind. A more serious question about the paternalistic view is why voters believe that low-income individuals would spend goods any differently than the voters themselves. Presumably voters believe that the poor are poor because of their own bad decisions and "bad" preferences, which are different from those of the voters.

The increasing desire to see the poor work also does not have an obvious source. One could ascribe it to the Protestant ethic in the United States or to the tradition of individualism and self-reliance. Why the importance of this factor has grown so much in the last several decades is unclear. One could trace this increasing emphasis to the rising labor force participation rate of middle-class women, especially those with children, so that middle-class voters are no longer willing to pay low-income mothers to stay home with their children. Once again, though, the work requirements in TANF, for example (if taken at face value, i.e., the formal work requirements rather than those actually implemented), are inconsistent with middle-class behavior; a high fraction of married women still do not work at all or work part-time at hours below those stipulated in the TANF legislation for recipients. Those work requirements impose a higher level of work than is exhibited by middle-class mothers. There is also a question of whether voters view work by recipients as a means to a more favorable end or as an end in itself. The idea of reciprocity suggests that it is an end in itself, as does the notion that it improves levels of self-worth.

Many policymakers and voters also view work as a way of improving recipients' human capital or the lives of children. Once again, though, many middle-class women stay at home when their children are young and believe in education rather than work as a means of improvement, suggesting a certain inconsistency of preferences. This would support the view that the emphasis on work must partly be traceable to the idea of reciprocity or to some related end-in-itself motivation.

Future directions

When discussing future directions, one must, as always, distinguish between directions that one would like to see as an analyst and actual predictions of what may come to pass. In the former category, I must certainly list the need for a more rational system of categorical programs that both fill in the lacunae and provide better channels for those in need of particular programs or services to receive them. It is my view that the major hole in the current system of transfers is the relative lack of programs and services made available to prime-age males, both married and unmarried. Most transfer programs exclude them, with the exception of the EITC for those with dependents; Food Stamps is also a major exception that provides universal support. But Medicaid, SSI, housing, and child care are not well targeted on this group, and TANF provides little support to low-income married men. Training programs, although important, are too small in scale to make much of a difference. Particularly since one can trace the decline in marriage partly to the decline in the economic fortunes of less-educated, particularly young, men, this would seem to be a group which is largely neglected by the current system.

It is frequently noted that in a categorical system better institutional channels are needed to identify, screen, and refer individuals to different programs. The current system, at least for the TANF population, has made some progress in developing case management systems that provide some of these services. However, most localities do not have one-stop shopping centers, which is one avenue of approach, and even case management services vary widely in their availability and functionality across localities. There continue to be proposals for a more systematic coordination across programs, and rationalization perhaps guided by a federal programmatic structure or even through the tax system, but these seem even further from the present than more modest measures. Many families fall through the cracks in the current system and receive little or no assistance even though it is needed and desirable. This, too, would seem to be a major need in a categorical system.

Other areas of the system should be addressed. It is a truism that health insurance reform is sorely needed, and it is difficult to discuss the reforms in Medicaid in isolation from that problem. But Medicaid still does not pro-

vide adequate benefits even to mothers, much less fathers, and provides low-quality services in many instances. TANF work requirements, in my view, need to be refined and rationalized to reconcile the statutory requirements with the requirements as imposed on the ground; the majority of TANF recipients are still not in an activity despite legislation which gives very few formal exemptions. We need a clearer definition of who is required to work and who is not, and a more generous allowance for those who have severe difficulties finding stable employment. At some point, we must develop a new approach to human capital investments for TANF recipients and other members of the low-income population; that would seem to be a necessary ingredient in any long-run strategy to improve the well-being of the poor.

What will actually unfold depends necessarily on political outcomes, to some extent, and on the federal budgetary situation, which is likely to constrain new initiatives for some time. It seems unlikely that any major change will occur in SSI, Food Stamps, or the EITC, and it seems likely that Medicaid will experience further retrenchment for budgetary reasons. Depending on the stance of the administration in Washington, reform activities may once again devolve to the states and to rationalizations of the current system at that level rather than at the federal level.■

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²D. Blau, “Child Care Subsidy Programs,” in *Means-Tested Transfer Programs in the United States*, R. Moffitt, ed. (Chicago: University of Chicago Press, 2003), Table 7.2; J. Scholz and K. Levine, “The Evolution of Income Support Policy in Recent Decades,” in S. Danziger and R. Haveman, eds., *Understanding Poverty*, (New York: Russell Sage, 2001), Table 6A.1.

³K. Spar, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2002–FY2004* (Washington: Congressional Research Service, 2006).

⁴See R. Moffitt, “Introduction,” in R. Moffitt, ed., *Means-Tested Transfer Programs in the United States* (Chicago: University of Chicago Press, 2003), for further discussion.

⁵R. Moffitt, “Explaining Welfare Reform: Public Choice and the Labor Market,” *International Tax and Public Finance* 6 (1999): 289–315.

⁶R. Moffitt, “The Negative Income Tax and the Evolution of U.S. Welfare Policy,” *Journal of Economic Perspectives* 17 (Summer 2003): 119–40.

⁷R. Moffitt, “The Effect of Welfare on Marriage and Fertility: What Do We Know and What Do We Need to Know?” in R. Moffitt, ed., *Welfare, the Family, and Reproductive Behavior* (Washington: National Academy of Sciences Press, 1998).