

Social Policy After Modernism:

A Citizen's Guide to Welfare Reform in the United States

The 2002-2003 Calvin Lectures

Kurt C. Schaefer

Postscript

We began these three lectures by reviewing two things: the ways in which the Christian tradition speaks to poverty and the formation of social policy, and the ways in which the Western tradition of thought had been gradually closing the door on allowing faith to influence the formation of social policy. I argued that this trend in Western thought must be resisted, and is best fought by careful attention to both God's "special" revelation in His Word and Son, and His "natural" revelation in the workings of the world around us.

We then took a long excursion into observing a part of that natural revelation, by studying the apparent lessons of forty years' experience with American poverty policy. Poverty policy seems to be one of those things about which we can hope for improvement but never really succeed. To most observers, the reforms of the 1990s appear to generally have been an improvement, though with some areas for concern. These areas deserve attention, and even beyond them a nation can never have too much fairness, too much justice, or too much potential for human flourishing.

As a nation, we are drawing the tentative conclusion that, in general, our situation seems improved when we combine work expectations with local administrative flexibility and more generous support for work-related expenses like childcare and medical insurance. At the same time, America has been exploring the appropriate place and limits of faith and faith-based organizations in forming social policy, through our experiments with Charitable Choice. The early results of these explorations seem to indicate that we are also striking on an approach to poverty in which the needs of the poor can be met more effectively while also creating a more robust role for faith in the public square.

I have focused on the nature and effects of changes in the 1990s, but we should think for at least a moment about where we should go from here. Though the news reviewed in these lectures has not been universally good, it has generally been hopeful. We should certainly celebrate the successes of the '90s. But the fact remains that many Americans are still quite poor, and that poverty still stinks. Poverty rates have fallen, but many of the formerly-poor still hover near the poverty line; if their position is no longer desperate, it is still undeniably fragile. And by some measures, "deep poverty"--poverty below half of the poverty line--may have increased.

What to do? Of course, many books could be filled—have been filled—with ideas about how to further reduce poverty and marginalization in American society. My suspicion is that, by reviewing the best and worst state-level practices that have emerged under welfare reform, and then implementing the best practices more universally, we might end up bringing poverty rates down to perhaps half of what they were before welfare reform.

Further improvement will probably require something more. Let me make a few suggestions.

In general, the reforms so far have tried to expand the possibilities for and incentives toward responsible choices. Through devolution, states have more discretion for local needs, while being constrained at the Federal level to use this discretion with responsibility. Individuals are expected to work whenever reasonable (and some might say even when not reasonable!), and through the EITC and other programs are given some support in the process. And Charitable Choice expands the possibilities of choice for both government and individuals.

Here's a conclusion one might naturally draw: Since expanding choice and improving incentives has resulted in generally good outcomes, the next step in reform should be to further improve incentives and expand possibilities for choice. This seems on the right track, but I think we must be precise about just what is required in order to expand families' range of choices, especially in the case of low-income families. Simply removing restrictions and regulations may not result in an expansion of opportunities or improvement in incentives. Consider two for which the economic analysis is at least as old as I am, but which seem not yet to have entered the general vocabulary. Since much of our poverty is related to geographic distribution (rural and concentrated-urban poverty) and race, I've chosen two cases that consider location and race.

1. The Tiebout World: Geographically-Constrained Choices

A large literature has grown from economic geographer Charles M. Tiebout's 1956 article on the theory of state and local public finance. We normally think that the freedom to exercise choice in markets causes resources to be directed in ways that produce the things that we actually want. Tiebout's paper extends this idea from markets for everyday goods and services to the "market" for public services provided by states and municipalities.

Say we start in a hypothetical world in which we all live in a single city, with a uniform tax rate and identical social services. Wouldn't it seem to be an improvement if we allow this situation to change, so that a community of smaller municipalities can offer some diversity? If you were willing to pay higher taxes in order to receive door-side garbage pickup and curbside leaf-clearing in the fall, you could do so. If you want curbs and sidewalks, fine—so long as you want them enough to be willing to pay higher taxes for them. If you don't particularly need sidewalks, and would prefer to have lower taxes so you can take an extra family vacation or be more generous to others, now you can do so. If you have children and want a public school, just choose the municipality with good public schools; if not, choose lower taxes and no school, so you can start a private school with the money you save. In short, according to the Tiebout world you can better act upon your convictions in a world with diverse suburbs rather than a unified metropolitan government; freedom to choose where you live is not only a natural right, but also results in an efficient allocation of resources.

What is wrong with this picture? Unfortunately, people can't act purely on convictions alone. In order to move resources to different uses, conviction must be backed up by income to spend., and income is not as evenly spread as convictions. In a world with suburbs, we'd expect those with relatively more money to leave the city in order to form more specialized suburbs—especially if the state subsidizes highways and water/sewer systems, so those moving can do so more easily at the expense of those who remain in the city. Those left in the city will tend to be low-income people who did not get the option of acting on their convictions. As the concentration of low-income people intensifies, they have fewer and fewer options.¹

Through this process, expanding the range of choice for the community-at-large has resulted in a smaller range of choice for the most marginalized citizens. It's true that their range of choice needs to be expanded, but simply removing regulations and rules is not likely, in itself, to have the desired effect on the low-income population. It works for those with money, but not necessarily for those without.

It's worth throwing a little twist into this model, to show that the convictions of a fairly small group can complicate the process in a way that actually leaves many people *worse off* when people are freed to act on their convictions. Imagine a neighborhood of nineteen homes. The neighborhood is initially inhabited by nineteen white families. One family is quite bigoted, and will only live in a 100% white neighborhood. A second family is also relatively bigoted, and will only live in a neighborhood that is at least 95% white. A third family likes diversity and does not

want to live in an all-white neighborhood, but all of their savings is tied up in their house and they believe home prices will suffer if the neighborhood becomes “disproportionately” non-white; since the region is 90% white, that’s this family’s threshold for an acceptable neighborhood—if it becomes more than 10% non-white, they will move out. The fourth family values diversity a bit more, and will remain in the neighborhood until it is 15% non-white. You get the picture: Each family in the neighborhood has a different “conviction” about what kind of neighborhood is acceptable, arranged in 5% increments.

Now what happens if one non-white family moves into the neighborhood? The bigoted family that requires a 100%-white neighborhood moves out. But now the neighborhood is more than 5% non-white, so the second family moves out. You see where this goes. The neighborhood will quickly change from one racial concentration to the other. And the striking irony in this neighborhood is that freedom to choose has resulted in a situation in which *very few people are actually getting what they wanted*. The bigots get what they want: a 100% white neighborhood. But most people in the neighborhood wanted some diversity. Yet the small variations in their tolerance for diversity has caused them to sacrifice all diversity.

2. The Thrown World: Racially-Constrained Choicesⁱⁱ

The last model showed how choices can be geographically constrained, which in America affects families’ choices about education, law enforcement, and many other

things. Now consider how non-geographic choices can also be constrained in ways that, upon examination, also appear to be irrational.

Imagine a place in which restaurant servers have two irrational but firmly-held beliefs: They believe that Dutch-Americans are lousy tippers, and they believe you can identify a Dutch-American family by the way they pray at the table before they order their food. You can see what kind of behavior will follow: whenever a family is seen to be praying in a restaurant, the server rolls his eyes and mutters “that’s the last nice thing I do for that family...”

Now imagine that this is truly an irrational belief, and that in fact only 10% of Dutch-Americans are lousy tippers who pray publicly in restaurants. You can see where the process will lead: The 90% who pray but are good tippers will find that every time they go out to eat, they receive really terrible, surly service. Many of them will find it so unpleasant that they will quit eating out. And... voila, the only people who pray in restaurants are also lousy tippers. The irrational belief of the servers has become a self-fulfilling bigotry. This little social system has ground down to an equilibrium that is self-fulfilling and self-replicating. And notice that this situation *does not serve the needs or interests of the vast majority*. A large population that would like to eat out and tip generously finds itself eating at home, and as a result a great many servers are missing out on a lot of gratuities.

Now repeat this model, with a more likely scenario. Say that employers have an irrational belief about the fitness of non-white applicants for white-collar jobs. Or say that taxi drivers have an irrational belief that black men looking for taxis are only looking for an easy robbery target. Or say that banks irrationally believe that non-white borrowers are less likely to repay than white borrowers with the same credit status. In all three cases the irrational belief can become self-fulfilling, and everyone will be left worse off as a result. Non-whites will gradually learn to not even apply for white-collar jobs and, sure enough, employers will observe that non-whites generally only succeed in blue-collar job categories. Black men who are not interested in robbery because they have better things to do will quit waiting around for taxis that never stop; only the robbers will be left hailing cabs. Banks will find that their performing loan portfolios are made up disproportionately of non-white borrowers.

In each case, invalid ideas have taken root in a way that generates incontrovertible statistical proof of their validity. In the process, all parties have been made worse off. Without examining the ways in which the irrational beliefs are formed in the first place, the system seems to be stuck where it is.

These two exercises in modeling from Tiebout and Thurow remind us of a few simple but important points. For example, they help us see the difference between “racism” and “prejudice.” Many white people seem to think that issues of personal prejudice are the

beginning and end of the conversation about race in America. If most people do not carry personal bigotry around, things will all turn out fine. But that account of things will not do. In the Tiebout model, a few individuals with bigoted attitudes caused the entire construction of society to tilt in a direction that practically no one desired; beyond personal prejudice, there is an overwhelming problem of institutionalized racism. And in the second model, personal prejudice that is initially irrational calls into existence a social order that confirms this prejudice, and in the process creates habits and institutions that prevent large numbers of people from having access to the normal things of life to which they are entitled.

These two modeling exercises also remind us that expanding the range of choice for low-income people is important, but the best way to do so is not always obvious. It may even involve constraining the choices of some others. And it will require that we re-examine some beliefs that seem to be well-established factually, in order to test the possibility that we're actually experiencing an artifact of some irrational, self-fulfilling conviction.

Welfare reform has seen some success by taking a particular approach to improving the choices that some low-income families face, but there are likely other approaches waiting to be tried.

A Symphony in Five Movements

Where shall we go from here?

The early years of the century were marked by enduring poverty and rising substance abuse, with attendant increases in the abuse of women, illiteracy, overcrowded housing, lack of access to health care, and declining moral values.

I'm speaking, of course, of *the 19th century*—I have been quoting from my son's high-school American History textbook. For example, during each decade between 1800 and 1830, on average Americans drank about four shots of liquor every day for every man, woman and child in the country. Since the majority of these people were children (presumed to be generally sober), and since adult drinking was concentrated among men, there is no conclusion left but an epidemic of male alcoholism, resulting in family abuse and poverty. But personal vice was by no means the only source of poverty. Slavery entrapped growing millions. Public education was rare and support for it had declined in areas where it was nominally required. Prisons, which began as alternatives to punishment, had become nightmares, housing hardened criminals, first-time offenders, and the mentally insane together under inhuman conditions. Women could not vote, and in most states married women could not own property, keep the money they earned, or make a will.

The early nineteenth century saw the emergence of several reform movements, to a great extent grounded in the principles of the Second Great Awakening. Most reformers based their arguments on Christian principles, and presented a program for change that balanced the role of the individual and the role of social structures. The temperance movement, the first and most widespread of the reform movements, emphasized self-discipline and self-control. Beyond personal pledges of self-discipline, the movement

worked to see social alternatives increased: alcohol-free hotels and transportation, limits on the promotion and availability of alcohol, sobriety pledges at workplaces. By 1840 alcohol consumption fell to less than half the 1830 level.

But reform did not end with calls to personal virtue. Movements to reform education and prisons, to abolish slavery, and to establish women's rights sprang from the same seeds. Change in these areas came more slowly than in the temperance movement, but over time, American society began to fundamentally change.

I'd suggest that we take the opportunity in the next wave of welfare reform to consider how to construct modern parallels of these five reform movements. We are probably farthest along in the movement to reform public *education*. In this area we are surrounded by active experiments and reforms, and we have some cause to be hopeful.

A modern *temperance* movement would not only build support against the abuse of drugs and alcohol, but would also address the stunning changes in sexual ethics, pornography, and standards for greediness during the last generation.

A modern *prison reform* movement would reconsider the fairness of the American justice system. When year after year one-sixth of marriage-aged black men are incarcerated, we should not be that surprised that pressures are created against stable family life. It is increasingly hard to believe that this disproportionate African-American imprisonment rate is the result of a fair application of the law. Consider the disproportionate number of

black men on death rows, and the considerable proportion of them who are being cleared by DNA evidence.

The modern equivalents of the *abolitionist and women's rights* movements would focus on basic restructuring of society in areas where some are systematically put at a disadvantage.ⁱⁱⁱ There have been real gains in the last generation, but again there is much yet to do. In many cases overt discrimination still limits possibilities. And zoning laws, lending practices, and school funding formulas still tend to concentrate poverty and affluence into separated, self-perpetuating spheres.

That short list of improvements would only be a start, but would easily fill the rest of this decade as we try to redeem the promise of welfare reform.

ⁱ I live in a metropolitan area of just over a million, in which the central city has about 200,000 inhabitants. The public school superintendent recently reported that the students in his school district are 70% non-white. 70% of his students live in homes with incomes below the poverty line.

ⁱⁱ See, for example, Poverty and Discrimination. Washington, D.C.: The Brookings Institution, 1969.

ⁱⁱⁱ One reasonable area for action would be a concerted effort at finding creative ways to make work pay. Raising the wages of the lowest-paid workers, assuring them of basic health insurance as they seek employment, and creating job security so they do not bear the brunt of economic downturns would all be natural and important extensions of the lessons learned from welfare reform. Yet it seems obvious that something more creative than “living wage” laws will be necessary. Simply legislating that wages must double or triple is very likely counter-productive for those most in need.