CHAPTER

19

Social Welfare

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WHO GOVERNS?

1. **How, if at all, have Americans' views of government's responsibility to help the "deserving poor" changed over time?**
2. **Why are some government social welfare programs politically protected while others are politically imperiled?**

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TO WHAT ENDS?

1. **What does the Constitution mean by "promote the general Welfare"?**
2. **Should religious groups be eligible to administer some federal welfare programs?**

Many groups of senior citizens take day trips from Philadelphia to Atlantic City, New Jersey, where they stroll or gamble. On the bus ride they are usually relaxed and talkative, but this wasn't the case in 2005. Then they had their noses buried in a booklet sent to them by the federal government. Entitled *Medicare & You,* it explained that if they were old enough to be on Medicare, then starting in January 2006, Uncle Sam would help them pay for their prescription drugs. The new program had a lot of complicated choices, but seniors were helped by a massive government-sponsored public relations program that explained everything to them. By the end of 2006, most eligible senior citizens had signed up.

★ Two Kinds of Welfare Programs

Another welfare program is for certain poor people who get help to buy food by acquiring Food Stamps. Mary Summers, an expert on this program at the University of Pennsylvania, discovered that even bright college students with easy access to computer-based information systems required nearly four hours to figure out who could apply. She described it as "an administrative maze." Unlike with the Medicare prescription drug benefit, however, there has never been a massive public relations campaign to explain how to sign up for the Food Stamps program.

The key difference in this regard involves *who* benefits. Two kinds of social welfare programs exist in this country: those that benefit most or all of the people and those that help only a small number of them. In the first category are Social Security and Medicare, programs that provide retirement benefits or medical assistance to almost every citizen who has reached a certain age. In the second are programs such as Medicaid and Food Stamps that offer help only to people with low incomes.

Legally the difference between the two kinds of programs is that the first have no *means test* (that is, they are available to everyone without regard to income) while the second are *means tested* (that is, you must fall below a certain income level to enjoy them). Politically the programs differ in how they get money from the government. The first kind of welfare program represents **majoritarian politics:** nearly everyone benefits, nearly everyone pays. The second kind represents **client politics:** a (relatively) few number of people benefit, but almost everyone pays. The biggest problem facing majoritarian welfare programs is their cost: who will pay, and how much will they pay? The biggest problem facing client-oriented programs is their legitimacy: who should benefit, and how should they be served?

This political difference between these programs has a huge impact on how the government acts in regard to them. Social Security and Medicare are sacrosanct. The thought of making any changes that might lower the benefits these programs pay is so politically risky that most politicians never even discuss them. When programs such as these run into trouble because of rising expenses (Medicare is in deep trouble today, and Social Security will be in even deeper trouble in a few decades), politicians scramble to look for ways of maintaining benefits while hiding the rising costs or postponing dealing with them. As we shall see later in this chapter, there has been a sharp growth in the proportion of people who are retired and are thus entitled to Social Security and Medicare. To keep benefits flowing to these individuals, people who are not retired will have to pay more and more in taxes. No politician wants to raise taxes or cut benefits, so they adopt a variety of halfhearted measures (like slowly increasing the age at which people can get these benefits) designed to postpone the tough decisions until they are out of office. Today, however, some leaders in each party are calling for more fundamental and far-reaching reforms. Shortly after his reelection in 2004, President George W. Bush proposed allowing individuals to voluntarily invest a portion of their Social Security taxes in personal retirement accounts. The issue became a focus of political debate in the 109th Congress.

Client-based welfare programs—those that are means tested—are a very different matter. Like many other client-based programs, their political appeal changes as popular opinion about them changes. Take the old Aid to Families with Dependent Children (AFDC) program. When it was started in 1935, people thought of it as a way of helping poor women whose husbands had been killed in war or had died in mining accidents. The goal was to help these women support their children, who had been made fatherless by death or disaster. Most people thought of these women as the innocent victims of a tragedy. No one thought that they would take AFDC for very long. It was a program to help smooth things over for them until they could remarry.

majoritarian politics *A policy in which almost everybody benefits and almost everybody pays.*

client politics *A policy in which one small group benefits and almost everybody pays.*

About thirty years later, however, the public's opinion of AFDC had begun to change. People started to think that AFDC was paying money to women who had never married and had no intention of marrying. The government, according to this view, was subsidizing single-parent families, encouraging out-of-wedlock births, and creating social dependency. Moreover, some people thought that African Americans were taking undue advantage of the program. (In fact, when this opinion emerged, African Americans were still a minority among AFDC recipients.) From the mid-1960s through the mid-1990s these views became stronger. AFDC had lost the legitimacy it needed, as a client program, to survive politically.

Whenever a client program loses political legitimacy, the program is in trouble. Client politics depends on the beneficiaries' being thought of as legitimate. Almost any means-tested program risks losing its political legitimacy, because some people will always wonder whether the program itself causes people to avoid working in order to claim the benefits. Some people think that about Food Stamps, the program that gives low-income people free stamps that they can exchange for food. There have been a few publicized cases of people using food stamps to buy luxury items. But no powerful opposition to the program has developed, because in general the only thing the beneficiaries have in common is that they have low incomes. Many Americans can imagine becoming poor, and so they probably are willing to allow such a program to operate as part of a government-supplied safety net that might, someday, help them.

But AFDC was a different matter. Having to accept AFDC was not something the typical taxpayer thought would ever happen to him or her. Moreover, the beneficiaries weren't just poor; some of them did things—such as having babies without getting married—that most Americans thought were simply wrong. The legitimacy of AFDC was thus in jeopardy, because it either made possible or actually encouraged behavior that most Americans found improper. As a result something happened to AFDC that almost never happens to decades-old government programs: it was abolished.

In this chapter we provide examples of both majoritarian and client welfare programs and describe how they have been reformed over the years. There are far too many social welfare programs to describe them all here; rather the main purpose of this chapter is to explain the key features of the two main kinds of programs.

★ Social Welfare in the United States

Before analyzing how these programs came into being, it is first necessary to understand that social welfare policy in the United States is shaped by four factors that make it different from what exists in many other nations. First, Americans have generally taken a more restrictive view of who is entitled to government assistance. Second, America has been slower than other countries to embrace the welfare state. Third, we have insisted that the states (and to a degree private enterprise) play a large role in running welfare programs. Fourth, nongovernmental organizations play a large role in welfare.

The first distinctive feature of the American welfare state involves who benefits. To Americans, who benefits has been a question of who *deserves* to benefit. We have usually insisted that public support be given only to those who cannot help themselves. But what does it mean to say that a person cannot help himself or herself? Surely a disabled, blind, elderly woman deserted by her family cannot do much to help herself, but would she still be deserving of public aid were she merely disabled? Or merely elderly? And to what extent should we require that her family support her? As we shall see, American welfare policy since the 1930s has been fundamentally shaped by a slow but steady change in how we have separated the "deserving" from the "undeserving" poor.

That we have always thought this way may make us forget that there are other ways of thinking about welfare. The major alternative view is to ask not who deserves help but what each person's "fair share" of the national income is. Seen this way, the role of government is to take money from those who have a lot and give it to those who have only a little, until each person has, if not the same amount, then at least a fair share. But defining a "fair share" is even more difficult than defining the "deserving poor." Moreover, Americans have generally felt that giving money to people who are already working, or who could work if they chose to, is unfair. In some nations—Sweden is an example—government policy is aimed at redistributing income from better-off to not-so-well-off persons, without regard to who "deserves" the money.

Thus Americans base welfare policy on the concept of "help for the deserving poor" rather than "redistribution to produce fair shares."[1] They have done so, one suspects, because they believe that citizens should be encouraged to be self-reliant, that people who work hard will get what they deserve, and that giving money to people who could help themselves will produce a class of "welfare chiselers." If Americans believed that success at work was a matter of luck rather than effort or was dictated by forces over which they had no control, they might support a different concept of welfare.

Handicapped parking signs are a common reminder of the government's interest in social welfare.

Moreover, we have always been a bit uneasy about giving money to people. Though we recognize that many people through no fault of their own cannot buy groceries and thus need funds, we would prefer that, to the extent possible, people who deserve help be given *services* (education, training, medical care) rather than money. Throughout much of our history our welfare policies have reflected a general philosophical disposition in favor of providing services to deserving persons.

The second striking fact about American welfare policy is how late in our history it arrived (at least at the national level) compared to other nations. By 1935, when Congress passed the Social Security Act, at least twenty-two European nations already had similar programs, as did Australia and Japan.[2] Germany was the first to create a nationwide social security program when it developed sickness and maternity insurance in 1883. Six years later it added old-age insurance and in 1927 unemployment insurance.

England offers perhaps the clearest contrast with the United States. In 1908 a national system of old-age pensions was set up, followed three years later by a plan for nationwide health and unemployment insurance.[3] England had a parliamentary regime in which

a political party with liberal sentiments and a large majority had come to power. With authority concentrated in the hands of the prime minister and his cabinet, there was virtually no obstacle to instituting measures, such as welfare programs, that commended themselves to party leaders on grounds of either principle or party advantage. Furthermore, the British Labour party was then beginning to emerge. Though the party was still small (it had only thirty seats in Parliament in 1908), its leaders included people who had been influential in formulating welfare programs that the leaders of the dominant Liberal party backed. And once these programs were approved, they were in almost all cases nationally run: there were no state governments to which authority had to be delegated or whose different experiences had to be accommodated.

Moreover, the British in 1908 were beginning to think in terms of social classes, to accept the notion of an activist government, and to make welfare the central political issue. Americans at that time also had an activist leader, Theodore Roosevelt; there was a progressive movement; and labor was well along in its organizing drives. But the issues were defined differently in the United States. Progressives, or at least most of them, emphasized the reform of the political process—by eliminating corruption, by weakening the parties, and by improving the civil service—and attacked bigness by breaking up industrial trusts. Though some progressives favored the creation of a welfare state, they were a distinct minority. They had few allies in organized labor (which was skeptical of public welfare programs) and could not overcome the general distrust of big government and the strong preference for leaving matters of welfare in state hands. In sum, what ordinary politics brought to England in 1908–1911, only the crisis politics of 1935 would bring to the United States. But once started, the programs grew. By 1983 almost one-third of all Americans received benefits from one or more social welfare programs.

charitable choice
Name given to four federal laws passed in the late 1990s specifying the conditions under which nonprofit religious organizations could compete to administer certain social service delivery and welfare programs.

The third factor involves the degree to which federalism has shaped national welfare policy. Since the Constitution was silent on whether Congress had the power to spend money on welfare and since powers not delegated to Congress were reserved to the states, it was not until the constitutional reinterpretation of the 1930s (see Chapter 16) that it became clear that the federal government could do anything in the area of social policy. At the same time, federalism meant that any state so inclined could experiment with welfare programs. Between 1923 and 1933 thirty states enacted some form of an old-age pension. By 1935 all but two states had adopted a "mother's pension"—a program whereby a widow with children was given financial assistance, provided that she was a "fit mother" who ran a "suitable home." The poor were given small doles by local governments, helped by private charities, or placed in almshouses. Only one state, Wisconsin, had an unemployment insurance program.

Politically the state programs had a double-edged effect: they provided opponents of a federal welfare system with an argument (the states were already providing welfare assistance), but they also supplied a lobby for federal financial assistance (state authorities would campaign for national legislation to help them out). Some were later to say that the states were the laboratories for experimentation in welfare policy. When the federal government entered the field in 1935, it did so in part by spending money through the states, thereby encouraging the formation in the states of a strong welfare bureaucracy whose later claims would be difficult to ignore.

A fourth distinctive feature of welfare policy in the United States is that much of it is administered via grants and contracts to nongovernmental institutions, both for-profit firms and nonprofit organizations. For example, many large national nonprofit organizations, such as Big Brothers Big Sisters of America, Youth Build, Jewish Federation, and Catholic Charities, have received large federal grants and long participated in the administration of federal social programs. The 1996 law that abolished the Aid to Families with Dependent Children program contained a provision directing that religious nonprofit organizations, including small community-based groups, be permitted to compete for government grants with which to administer federal welfare-to-work and related policies. The latter provision, known as **charitable choice,** enjoyed bipartisan support. The provision prohibited religious organizations from using any public funds for proselytizing, religious instruction, or worship services, but also prohibited the government from requiring them to remove religious art or iconography from buildings where social service delivery programs funded in whole or in party by Washington might be administered.

Major Social Welfare Programs

Insurance, or "Contributory," Programs

Old Age, Survivors, and Disability Insurance (OASDI) Monthly payments to retired or disabled people and to surviving members of their families. This program, popularly called Social Security, is paid for by a payroll tax on employers and employees. *No means test.*

Medicare Federal government pays for part of the cost of medical care for retired or disabled people covered by Social Security. Paid for by payroll taxes on employees and employers. *No means test.*

Assistance, or "Noncontributory," Programs

Unemployment Insurance (UI) Weekly payments to workers who have been laid off and cannot find work. Benefits and requirements determined by states. Paid for by taxes on employers. *No means test.*

Temporary Assistance for Needy Families (TANF) Payments to needy families with children. Replaced the old AFDC program. Partially paid for by block grants from the federal government to the states. *Means test.*

Supplemental Security Income (SSI) Cash payments to aged, blind, or disabled people whose income is below a certain amount. Paid for from general federal revenues. *Means test.*

Food Stamps Vouchers, given to people whose income is below a certain level, that can be used to buy food at grocery stores. Paid for out of general federal revenues. *Means test.*

Medicaid Pays medical expenses of persons receiving TANF or SSI payments. *Means test.*

Earned Income Tax Credit Pays cash or tax credit to poor working families. *Means test.*

In 2001 President George W. Bush's call to expand the role of religious organizations in administering federal social programs led to a political firestorm.[4] Some religious conservatives demanded that the Bush administration act to permit faith-based organizations to proselytize with public funds and also allow them to hire only coreligionists if they wished. But some civil libertarians sought to reduce or eliminate most existing public-private partnerships involving religious organizations.

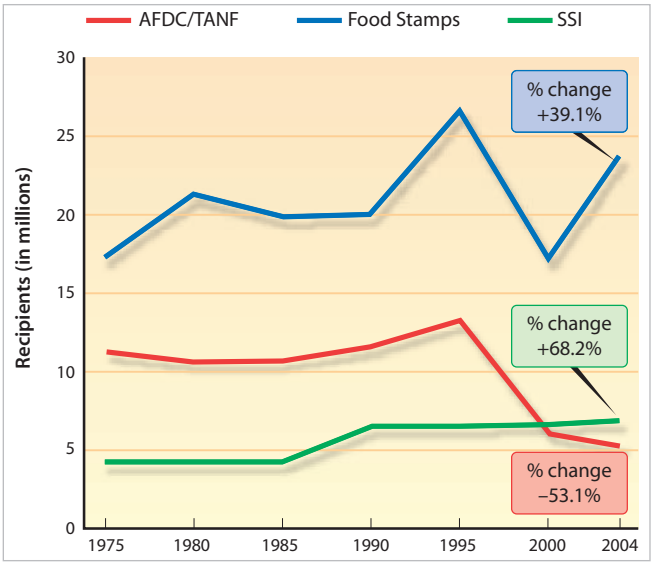
Between 2002 and 2003 HHS and HUD grants to faith-based groups increased 41 percent and 16 percent, respectively, and five federal agencies awarded $1.17 billion to such organizations.[5] Today, faith-based organizations figure ever more prominently in the administration of welfare-to-work programs in many big cities, from about 14 percent of all such programs in Los Angeles to about 41 percent in Philadelphia.[6] Fewer than one in ten of these urban faith-based organizations give preferences to coreligionists in hiring, and virtually all accept beneficiaries without regard to religion.[7] This approach reflects mass opinion on the subject: three-quarters want government to help fund community-serving, faith-based organizations and deem them to be "more caring and compassionate" than professional providers of the same services; but the same three-fourths majority opposes government support for faith-based programs that require beneficiaries to "take part in religious practices" or "only hire people of the same faith."[8]

Majoritarian Welfare Programs: Social Security and Medicare

Today, tens of millions of Americans receive food, money, or medicine through programs funded largely by the federal government (see Figure 19.1).

At the time the Great Depression began, in 1929, the job of providing relief to needy people fell almost entirely to state and local governments or to private charities, and even these sources were primarily concerned with widows, orphans, and the elderly.[9] Hardly any state had a systematic program for supporting the unemployed, though many states provided some kind of help if it was clear that the person was out of work through no fault of his or her own. When the economy suddenly ground to a near standstill and the unemployment rate rose to include one-fourth of the work force, private charities and city relief programs nearly went bankrupt.

Figure 19.1 AFDC/TANF, Food Stamps, and SSI Recipients, 1975–2004



Note: AFDC/TANF refers to Aid to Families with Dependent Children/Temporary Assistance for Needy Families; TANF replaced AFDC after 1996. SSI refers to Supplemental Security Income.
Source: Adapted from U.S. Department of Health and Human Services, *Indicators of Welfare Dependence: Annual Report to Congress*, 2006.

The election of 1932 produced an overwhelming congressional majority for the Democrats and placed Franklin D. Roosevelt in the White House. Almost immediately a number of emergency measures were adopted to cope with the depression by supplying federal cash to bail out state and local relief agencies and by creating public works jobs under federal auspices. These measures were recognized as temporary expedients, however, and were unsatisfactory to those who believed that the federal government had a permanent and major responsibility for welfare. Roosevelt created the Cabinet Committee on Economic Security to consider long-term policies. The committee drew heavily on the experience of European nations and on the ideas of various American scholars and social workers, but it understood that it would have to adapt these proposals to the realities of American politics. Chief among these was the widespread belief that any direct federal welfare program might be unconstitutional. The Constitution nowhere explicitly gave to Congress the authority to set up an unemployment compensation or old-age retirement program. And even if a welfare program were constitutional,

In 1932, unemployed workers line up at a soup kitchen during the Great Depression.

In 1934, Huey Long, the popular governor of Louisiana, claimed that Roosevelt was not doing enough to help the common man. But before he could become a serious threat to Roosevelt in the 1936 election, he was assassinated in 1935.

many believed, it would be wrong because it violated the individualistic creed that people should help themselves unless they were physically unable to do so.

But failure by the Roosevelt administration to produce a comprehensive social security program, his supporters felt, might make the president vulnerable in the 1936 election to the leaders of various radical social movements. Huey Long of Louisiana was proposing a "Share Our Wealth" plan; Upton Sinclair was running for governor of California on a platform calling for programs to "End Poverty in California"; and Dr. Francis E. Townsend was leading an organization of hundreds of thousands of elderly people on whose behalf he demanded government pensions of $200 a month.

The plan that emerged from the cabinet committee was carefully designed to meet popular demands within the framework of popular beliefs and constitutional understandings. It called for two kinds of programs: (1) an **insurance program** for the unemployed and elderly, to which workers would contribute and from which they would benefit when they became unemployed or retired; and (2) an **assistance program** for the blind, dependent children, and the aged. (Giving assistance as well as providing "insurance" for the aged was necessary because for the first few years the insurance program would not pay out any benefits.) The federal government would use its power to tax to provide the funds, but all of the programs (except for old-age insurance) would be administered by the states. Everybody, rich or poor, would be eligible for the insurance programs. Only the poor, as measured by a **means test** (a measure to determine that incomes are below a certain level), would be eligible for the assistance programs. Though bitterly opposed by some, the resulting Social Security Act passed swiftly and virtually unchanged through Congress. It was introduced in January 1935 and signed by President Roosevelt in August of that year.

The idea of having the government pay the medical and hospital bills of the elderly and the poor had been discussed in Washington since the drafting of the Social Security Act. President Roosevelt and his Committee on Economic Security sensed that medical care would be very controversial, and so health programs were left out of the 1935 bill in order not to jeopardize its chances of passage.[10]

The proponents of the idea did not abandon it, however. Working mostly within the executive branch, they continued to press, sometimes publicly, sometimes behind the scenes, for a national health care plan. Democratic presidents, including Truman, Kennedy, and Johnson, favored it; Republican president Eisenhower opposed it; Congress was deeply divided on it. The American Medical Association attacked it as "socialized medicine." For thirty years key policy entrepreneurs, such as Wilbur Cohen, worked to find a formula that would produce a congressional majority.

The first and highest hurdle to overcome, however, was not Congress as a whole but the House Ways and Means Committee, especially its powerful chairman from 1958 to 1975, Wilbur Mills of Arkansas. A majority of the committee members opposed a national health care program. Some members believed it wrong in principle; others feared that adding a costly health component to the Social Security system would jeopardize the financial solvency and administrative integrity of one of the most popular government programs. By the early 1960s a majority of the House favored a health care plan, but without the approval of Ways and Means it would never reach the floor.

The 1964 elections changed all that. The Johnson landslide produced such large Democratic majorities in Congress that the composition of the committees changed. In particular the membership of the Ways and Means Committee was altered. Whereas before it had three Democrats for every two Republicans, after 1964 it had two Democrats for every one Republican. The House leadership saw to it that the new Democrats on the committee were strongly committed to a health care program. Suddenly the committee had a majority favorable to such a plan, and Mills, realizing that a bill would pass and wanting to help shape its form, changed his position and became a supporter of what was to become Medicare.

The policy entrepreneurs in and out of the government who drafted the Medicare plan attempted to anticipate the major objections to it. First, the bill would apply only to the aged—those eligible for Social Security

insurance program *A self-financing government program based on contributions that provide benefits to unemployed or retired persons.*

assistance program *A government program financed by general income taxes that provides benefits to poor citizens without requiring contribution from them.*

means test *An income qualification program that determines whether one is eligible for benefits under government programs reserved for lower-income groups.*

How Things Work

Medicare ABCDs

Medicare is a federal health insurance program that covers most senior citizens age sixty-five or older, some younger people with disabilities, and people with end-stage renal disease. Today it covers about 45 million elderly and disabled persons.

Medicare does not provide benefits for annual physicals, eyeglasses, hearing aids, long-term nursing home care, or in-home care.

Part A is hospital insurance. Some people pay a monthly premium; others do not.

Part B is medical insurance. The standard monthly premium in 2007 was $93.50. It gets deducted automatically from your Social Security check.

Part C is called Medicare Advantage Plus. Basically, it sets the terms under which companies that contract with the Medicare program must provide benefits.

Part D is prescription-drug coverage. Participation is voluntary, and the monthly premium depends on how much coverage you have.

retirement benefits. This would reassure legislators worried about the cost of providing tax-supported health care for everybody. Second, the plan would cover only hospital expenses, not doctors' bills. Since doctors were not to be paid by the government, they would not be regulated by it; thus, presumably, the opposi-

President Lyndon Johnson (left) signs the Medicare Act in 1965 in the company of Vice President Hubert Humphrey (standing) and former president Harry S Truman (right).

tion of the American Medical Association would be blunted.

Unexpectedly, however, the Ways and Means Committee broadened the coverage of the plan beyond what the administration had thought was politically feasible. It added sections providing medical assistance, called Medicaid, for the poor (defined as those already getting public assistance payments) and payment of doctors' bills for the aged (a new part of Medicare). The new, much-enlarged bill passed both houses of Congress with ease. The key votes pitted a majority of the Democrats against a majority of the Republicans.

Reforming Majoritarian Welfare Programs

Both Social Security and Medicare are changing. What a majority of the people want will soon cost them more money than they can afford. But not every citizen is prepared to do what is necessary to fix this problem, and so the politicians are left in a bind: they must "save" Social Security and Medicare without changing Social Security and Medicare. It will not be easy.

The key problem for Social Security is that, as the population ages, soon there will not be enough people paying Social Security taxes to provide benefits for every retired person. By 2020 there will be fewer than four workers for every retiree, and the payroll taxes on these workers would have to more than double to pay that retiree's bills.

At present, Social Security faces a nearly $4 trillion shortfall over the next seventy-five years. There are many different ideas about how to close the gap and save the system. Here are a half-dozen proposals that have been analyzed and debated, some of them more popular than others with U.S. citizens (see Table 19.1):

1. *Raise the retirement age:* Under existing law, the age at which a citizen received full or partial Social Security benefits is rising to sixty-seven for people born after 1959. By or before the year 2090, raise it to seventy. This would close the long-term funding gap by about 20 percent.
2. *Reduce benefits for high-earners:* Today a retiree in the program's highest wage bracket is eligible for a maximum monthly payment of about $2,120. Over the next several decades, reduce the maximum monthly benefit by about 10 percent. This change would close the gap by about 25 percent.
3. *Raise payroll taxes:* Now both workers and their employers pay 6.2% of the worker's wages up to $97,500 in Social Security payroll taxes. Over the next generation or two, increase that tax to 6.7%. This would eliminate about half of the projected funding gap.
4. *Increase the wage cap:* Presently workers and employers pay Social Security taxes on the first $97,500 of wages. Over the next several decades, increase the wage cap to $150,000. This would close the gap by about half.
5. *Have government make investments:* Let the government invest 15 percent of the fund in U.S. Treasury bonds or certain low-risk stock funds. If begun soon, this could reduce the gap by about 15 percent.
6. *Let individuals make investments:* Let people invest some of their Social Security tax payments in private retirement accounts like stocks or mutual funds, with benefits higher or lower than expected depending on stock market performance. There is no consensus on how this proposal might affect the gap.

Table 19.1 Public Opinion on Social Security Reform Options

Reform Option	Consider	Favor
Raise the retirement age	47%	33%
Reduce benefits for higher-earners	43	28
Raise payroll taxes	72	59
Increase the wage cap	81	71
Have government make investments	54	40
Let individuals make investements	—	46

Source: Knowledge Networks, survey of a nationally representative sample of 1,514 adults age twenty-one and older, conducted January 19–29, 2007, as reported in *Retirement Security Survey Report* (Washington, D.C.: American Association of Retired Persons, February 2007); and Public Agenda Foundation, "Social Security: Bills and Proposals," 2007, at http://www.publicagenda.org/issues/major_proposals, citing a January 2005 survey by the Pew Research Center of the Pew Charitable Trusts.

A national advisory commission proposed the sixth option—private investment accounts—to President Clinton, but he did not embrace it. Another commission recommended three versions of the option to President George W. Bush, but he received the report just a few months after September 11, 2001. Bush revived the plan in 2004, and the 109th Congress began to debate it in 2005. In 2007, the Democratic-led 110th Congress rebuffed Bush's attempts to bring it up yet again.

Even though private investment is the third most popular option on the list (it is especially popular with

Mitt Romney, then the Republican governor of Massachusetts, signs a bill requiring every state resident to have health insurance.

younger voters), every time the idea has gotten back into the political headlines public opinion has shifted against it. For example, during the debate in 2004 and 2005, most surveys found two-thirds or more of all Americans agreeing that the primary reform goal should be to keep Social Security as a program that guarantees every worker a monthly benefit based on his or her pre-retirement wages. Only eighteen- to thirty-four-year-olds had majorities favoring letting workers invest some of their Social Security contributions in private retirement accounts.

The key problems with Medicare are that it costs a huge amount of money and is not a very efficient way of paying for health care. When Medicare was enacted in 1965, the government said that by 1990 it would cost $12 billion a year. When 1990 rolled around, Medicare actually cost $110 billion. Today it costs over $300 billion a year. As the population gets older and new (and expensive) life-prolonging technologies are developed, the cost of the program will rise even faster.

Medicare allows people to visit the doctor or go to the hospital whenever they feel they need to (see the box on page 514). The doctor or hospital is paid a fee for each visit. This creates three problems: (1) a lot of people use medical services when they don't really need them; (2) some doctors and hospitals overcharge the government for their services; and (3) doctors and hospitals are paid on the basis of a government-approved payment plan that can change whenever the government wants to save money.

Table 19.2 Post–1970 Government Health Care Spending in Ten Countries

Country	Average Annual Real Per-Capita Increase (%)
Australia	4.1
Austria	4.0
Canada	3.1
Germany	3.6
Japan	4.9
Norway	5.3
Spain	5.1
Sweden	2.6
United Kingdom	3.7
United States	5.1
Average	4.1

Source: Laurence Kotlilkoff and Christian Hagist, National Bureau of Economic Research, Working paper no. 11833, 2005, reporting OECD data and rounded averages for the period 1970–2002, as cited in National Center for Policy Analysis, *Health Care Spending Trends,* 2004, table 1.

In 1997 a bipartisan commission was formed to solve the problem of Medicare, but President Clinton, who had helped create it, repudiated its report. Few politicians are willing to propose cost-cutting measures for fear of being burned at the voting booth.

One possible cure is to get rid of Medicare and instead have doctors and hospitals work for the government. That is done in several countries, and as a result the citizens of these countries pay less for health care than do U.S. citizens (see Table 19.2). But

A girl looks on as her mother displays food stamps.

many critics argue that government-run health care provides fewer benefits and slower care and discourages aggressive new health care innovations.

A second solution to the problem is to let the elderly take their Medicare money and buy health insurance from private suppliers, including health maintenance organizations (HMOs). This may or may not be an affordable alternative for individuals.

One day it will become clear that "the inevitabilities of disease and aging" cannot be avoided simply by spending more money or employing the latest technology.[11] For the foreseeable future, however, politicians will continue to propose all kinds of health care legislation. No new health care measures have passed, and only 5 percent of the public ranked "poor hospital care/high cost of healthcare" as "the most important problem facing this country today," way behind "terrorism" at 33 percent and "economy in general" at 14 percent, and a far cry from the 28 percent who had ranked health as the country's number one problem in September 1993.[12] But the aging of the baby boom population, the continued growth in total government expenditures on health care, and political pressures exerted by powerful interest groups like the AARP (see Chapter 11), among other factors, keep health care issues high on the federal social welfare policy agenda.

Client Welfare Programs: Aid to Families with Dependent Children

One part of the Social Security Act of 1935 created what came to be called Aid to Families with Dependent Children (AFDC). It was scarcely noticed at the time. The federal government, in response to the depression, promised to provide aid to states that were, in many cases, already running programs to help poor children who lacked a father.

Because AFDC involved giving federal aid to existing state programs, it allowed the states to define what constituted "need," to set benefit levels, and to administer the program. Washington did set (and, over the years, continued to increase) a number of rules governing how the program would work, however. Washington told the states how to calculate applicants' incomes and required the states to give Medicaid to AFDC recipients. The states had to establish mandatory job-training programs for many AFDC recipients and to provide child-care programs for working AFDC parents. Washington also required that women on AFDC identify their children's fathers.

In addition to the growing list of requirements, Washington created new programs for which AFDC recipients were eligible, such as Food Stamps, the **Earned Income Tax Credit,** or EITC, (a cash grant to poor parents who were working), free school meals, various forms of housing assistance, and certain other benefits. But while all this was happening, public opinion moved against the AFDC program.

The combination of souring public opinion, increasing federal regulations, and a growing roster of benefits produced a program that irritated almost everyone. The states disliked having to conform to a growing list of federal regulations. The public disliked the program because it was viewed as weakening the family by encouraging out-of-wedlock births (since AFDC recipients received additional benefits for each new child). The public worried that AFDC recipients were working covertly on the side; the data proved that this was true of at least half of them in several large cities. AFDC recipients saw that the actual (that is, inflation-adjusted) value of their AFDC checks was going down. Critics countered that if you added together all the benefits they were receiving (Food Stamps, Medicaid, housing assistance, and so on), benefit levels were actually going up. Politicians complained that healthy parents were living off AFDC instead of working. The AFDC law was revised many times, but never in a way that satisfied all, or even most, of its critics. Though AFDC recipients were only a small fraction of all Americans, they had become a large political problem.

What made matters worse was that the composition of the people in the program had changed. In 1970 about half of the mothers on AFDC were there because their husbands had died or divorced them; only a quarter had never been married.[13] By 1994 the situation had changed dramatically: only about a quarter of AFDC mothers were widowed or divorced, and over half had never been married at all. And though most women on AFDC for the *first* time got off it after just a few years, almost two-thirds of the women on AFDC at any given moment had been on it for eight years or more.

These facts, combined with the increased proportion of out-of-wedlock births in the country as a whole, made it virtually impossible to sustain political support

Earned Income Tax Credit (EITC) *A provision of a 1975 law that entitles working families with children to receive money from the government if their total income is below a certain level. The program was expanded in the early 1990s.*

for what had begun as a noncontroversial client program. In 1996 the program was abolished. It was replaced by a block grant program, Temporary Assistance for Needy Families (TANF), that set strict federal requirements about work and limited how long families can receive federally funded benefits. Under TANF, by 2003, welfare caseloads nationally had declined by nearly 60 percent.

★ Majoritarian Versus Client Politics

The programs just described illustrate two patterns of policy-making. The old-age pensions created by the Social Security Act of 1935 and the health care benefits created by the Medicare Act of 1965 are examples of *majoritarian politics*: almost everybody benefits, and almost everybody pays. The TANF program is an example of *client politics*: a relatively few people benefit, but everybody pays.

Majoritarian Politics When both the benefits and the costs of a proposed program are widely distributed, the proposal will be adopted if the beneficiaries believe that their benefits will exceed their costs *and* if political elites believe that it is legitimate for the federal government to adopt the program.

Initially the benefits people received from the retirement program greatly exceeded its costs to them. Older people were able to get an old-age pension or health care even though they had paid in taxes only a small fraction of what these benefits cost. Social Security and Medicare seemed initially like the nearest thing to a free lunch.

The big debate in 1935 and 1965 was not over whether the people wanted these programs—the polls showed that they did—but over whether it was legitimate for the federal government to provide them.[14] In 1935 conservatives argued that as desirable as Social Security might be, nothing in the Constitution authorized the federal government to spend money for this purpose; welfare, they said, was a policy area reserved to the states. Liberals rejoined that the federal government had an obligation to help people avoid poverty in their old age. Besides, they said, as an "insurance" program, retirement benefits were not really a federal expenditure at all: Washington was merely collecting payments and holding them in a trust fund until the people who paid them were ready to retire. In the midst of the Great Depression and at a time when liberals had large majorities in Congress, it was an easy argument to make, and so the Social Security bill readily crossed over the legitimacy barrier.

In 1965 the same issues were raised. Conservatives argued that medical care was a private, not a governmental, matter and that any federal involvement would subject doctors and hospitals to endless red tape and harm the quality of the doctor-patient relationship. Liberals rejoined that the elderly had health needs that they could not meet without help and that only the federal government had the resources to provide that assistance. Because the 1964 elections, when Lyndon Johnson defeated Barry Goldwater, had swept into the House and Senate large majorities of liberal Democrats, there was no chance that a conservative coalition of Republicans and southern Democrats could defeat Medicare, and so it passed.

The votes in Congress on Social Security and Medicare followed party lines. Since the Democratic opponents of these bills were typically conservative southerners, the vote followed ideological lines even more closely.

Client Politics When the benefits of a proposal are to go to a relatively small group but the public at large pays, we have client politics. Proposals to benefit clients will pass if the cost to the public at large is not perceived to be great *and* if the client receiving the benefit is thought to be "deserving."

As noted previously, when AFDC was first enacted, it was relatively noncontroversial. Originally it seemed intended to help deserving people. In 1935 the typical welfare mother was perceived to be a woman living in a small town, whose husband had been killed in a mining accident. Who could object to giving some modest help to a person who was the victim of circumstances?

Right or wrong, American values on this subject changed. Today most Americans believe that able-bodied people on welfare should be made to work for their benefits. The work-based welfare provisions of TANF plainly reflect this belief. In 2002, during the largely consensual congressional debate over reauthorizing TANF, even many who had opposed these strategies in 1996 (when TANF replaced AFDC) now supported them. There remains, however, some popular sentiment for giving welfare recipients job training or even creating government jobs for them. This

Who Governs? To What Ends?

Reforming Majoritarian Education Programs

America is home to about 50 million public school children. Most citizens, even the elderly and young adults with no children in public schools, tend to think of public education in majoritarian terms: everyone benefits, everyone pays.

Until recently, Democrats pretty much owned this majoritarian issue. With the exception of some Democratic mayors, most Democratic leaders have opposed plans to give parents school vouchers (public monies that can be used to pay for private or religious school tuitions). Meanwhile, most Republican leaders have favored vouchers. In 2000, voucher referenda were defeated soundly in California and Michigan.

Three days after taking office in January 2001, Republican president George W. Bush proposed an education reform plan that he then described as "the cornerstone of my administration." It contained voucher language and related provisions that would have effected sweeping changes in the Elementary and Secondary Education Act (ESEA). But just a few months into negotiations on the bill with Senate Democrats, virtually every aspect of the original Bush plan that could not be credibly couched in majoritarian terms, reconciled with existing ESEA programs, or otherwise justified as "recruiting high-quality teachers," "promoting informed parental choice," or "improving the academic achievement of the disadvantaged" was abandoned.

On January 8, 2002, Congress easily passed the No Child Left Behind Act of 2001. The president's major ally in getting the 670-page education reform plan into law was Democratic senator Ted Kennedy of Massachusetts. Democrats applauded the act mainly for increasing federal education funding under the ESEA by 49 percent over 2000 levels, to over $22 billion a year. Republicans, led by House conservatives, complained about the increased ESEA spending and lamented that the new law did nothing to advance the cause of school vouchers. The public, however, gave the Bush administration high marks. Shortly after the president signed the bill into law, polls showed that, for the first time in many years, most citizens rated Republicans on a par with Democrats in dealing with education issues.

On June 27, 2002, the U.S. Supreme Court declared in the case of *Zelman v. Simmons-Harris* that school voucher programs that provide "true private choice" are constitutional. It remains to be seen, however, whether political leaders will identify themselves in the future with school reform proposals that are not obviously or strictly in accord with majoritarian sentiments on education policy.

service strategy (providing training and education) is strongly preferred to an **income strategy** (giving people money)—unless, of course, the income can be called "insurance."[15]

Indeed, some critics of welfare, such as Charles Murray, have argued that AFDC actually increased the number of people living in poverty. Murray claimed that high welfare benefits made it more attractive for some people to go on welfare than to look for a job and more attractive for some women to have babies than to get married. This kept them poor. Other scholars have criticized Murray's thesis. They have argued that there is no direct evidence that welfare encourages family breakup and have suggested that the rise in the number of illegitimate children occurred during a period (the 1970s) when welfare benefits, in real (that is, inflation-adjusted) dollars, were going down.[16]

In short the clients of these programs never acquired in the public's mind the legitimacy necessary for their programs to prosper. As a result, whereas for forty years it was thought to be good politics to increase old-age benefits, it increasingly became considered bad politics to do anything but attack, investigate, and curtail "welfare" programs.

service strategy *A policy providing poor people with education and job training to help lift them out of poverty.*

income strategy *A policy giving poor people money to help lift them out of poverty.*

WHAT WOULD YOU DO?

MEMORANDUM

To: *Ursula Marx, Senate Committee chair*
From: *Cindy Fried, senior staff member*
Subject: *Universal Health Care Legislation*

You and the committee have two fairly distinct sets of options on this universal health care package.

Arguments for:

1. With more than 47 million Americans, or one in seven, lacking health care coverage, the government needs to enact far-reaching reform to ensure that everyone receives quality medical care.
2. The soaring cost of health care (which is expected to reach approximately one-fifth of the federal budget in the next decade) can be contained only by a public system that has the power to set prices and control costs.
3. Universal health care is a logical expansion of the Medicare and Medicaid programs created in 1965; nearly half a century later, health care should be a fundamental right guaranteed for everyone who lives in the United States.

Arguments against:

1. Though many people lack health insurance, most of them get health care in hospital emergency rooms and from doctors who donate their services.
2. Medical services in the United States are the best in the world, and government controls on costs will serve only to reduce the quality of care available.
3. In an era of budget deficits and an $8 trillion national debt, the United States cannot afford to expand social welfare programs.

Your decision:

Support _____ Oppose _____

Universal Health Care Gets Strong Backing in Senate

July 9 WASHINGTON, D.C.

A bill sponsoring universal health care in the United States is likely to be reviewed by the full Senate next week. After vigorous hearings over coverage and costs, the chair of the Senate Committee on Health, Education, Labor, and Pensions said the committee would approve the bill. But it faces an uphill battle in the main chamber, as forty-two senators say they will not support such drastic reform. Public opinion is divided, with a recent poll showing that Americans want everyone to have basic health care, but they do not want a new "health" tax to fund the program . . .

Still, as we stressed in Chapter 17, the politics of policy issues can be affected by changes in people's perceptions concerning who bears the burdens and who receives the benefits. Thus, under TANF, between 1996 and 2003, able-bodied adults had a harder time getting welfare benefits, but welfare-related child-care spending in most states rose by 50 percent or more.[17] The average AFDC (and later TANF) benefit amount, adjusted for inflation, has fallen since 1980. In addition, many poor parents who are eligible for an EITC grant are unaware of the program and so do not receive benefits.

Likewise, the politics of prescription-drug benefits for senior citizens soured somewhat in 2004 when various expert bodies calculated that the latest federal initiative might cost about $550 billion over the next decade (roughly 35 percent more than had previously been estimated), and a total of $2.5 trillion over the program's first two decades as baby boomers, a population that neither suffered through the Great Depression of the 1930s nor lived through World War II, reach retirement age and milk their Medicare benefits.[18]

The politics of the policy process is always hard to predict, but in the years just ahead, needy children and other at-risk youth might well prove more politically popular, and be more widely perceived as "deserving" government aid, than baby-boomer retirees.

★ SUMMARY ★

We can explain the politics of social welfare policy in America principally in terms of two factors: who benefits and who pays, and the beliefs citizens have about social justice. Neither factor is static: gainers and losers vary as the composition of society and the workings of the economy change, and beliefs about who deserves what are modified as attitudes toward work, the family, and the obligations of government change.

The federal government spends far more on majoritarian social welfare programs (such as Social Security and Medicare) than on client ones (such as Food Stamps and EITC). It also promotes the majoritarian programs and encourages people to participate; it does much less of either with the client programs.

The congressional (as opposed to the parliamentary) system of government means that greater political effort and more time are required for the adoption of a new welfare policy. Federalism means that the states will play a large role in determining how any welfare program is administered and at what level benefits are set.

RECONSIDERING WHO GOVERNS?

1. ***How, if at all, have Americans' views of government's responsibility to help the "deserving poor" changed over time?***

   American welfare policy since the 1930s has undergone a slow but steady change in how it has separated the "deserving" from the "undeserving" poor. In essence, today we separate them less and are more willing to have people rely solely on the government for help. For example, even before the New Deal, most Americans would surely have counted a poor, disabled, blind, elderly woman deserted by her family as deserving of public aid. Today, however, many citizens would also favor giving her aid even if she were only disabled, without regard to her income or family situation. Likewise, whereas once most Americans were inclined to provide public aid only if the beneficiary's family helped too, today most citizens do not believe in strictly conditioning public aid on family support.

2. ***Why are some government social welfare programs politically protected while others are politically imperiled?***

   Majoritarian programs (nearly everyone benefits, nearly everyone pays) like Social Security and Medicare are politically sacrosanct. Client-based programs (a relatively few number of people benefit, but almost everyone pays) like the now-defunct Aid to Families with Dependent Children (AFDC) are politically shaky. Debates about the former normally concern only how to keep the benefits flowing; debates about the latter often concern

whether to keep the program ongoing. But certain client-based programs are less politically vulnerable than others—it all depends on who the clients are, or are widely perceived to be. Medicaid was protected largely because its clients included middle-class retirees who received nursing home benefits and medically needy low-income children. AFDC was targeted because its clients were perceived by many to include ablebodied adults who chose to receive public aid rather than go to work.

RECONSIDERING TO WHAT ENDS?

1. ***What does the Constitution mean by "promote the general Welfare"?***
   The Framers of the Constitution did not mean by this phrase that government has a duty to provide cash assistance or other benefits to citizens in economic need, or that the president or Congress has to manage the economy. Rather, they undoubtedly meant something closer to "protect private property and promote public safety and morals." It is difficult, however, to be sure about what they meant by those words. Some present-day advocates for the poor have suggested that the federal government, by enacting laws intended to lift low-income citizens out of poverty, to provide health care at public expense, and to guarantee access to affordable housing, has thereby established a constitutional right to such social welfare programs, services, or supports. There is little constitutional case law to support that view.
2. ***Should religious groups be eligible to administer some federal welfare programs?***
   Under four Charitable Choice laws the federal government may not discriminate against community-serving faith-based organizations in the grant-making process, but these organizations are strictly prohibited from using any public funds to proselytize, provide religious instruction, or perform worship services; may not hire only coreligionists; and must serve all eligible persons without regard to religion. The courts have consistently upheld its legality and constitutionality.

WORLD WIDE WEB RESOURCES

Social welfare programs
- Medicare: **www.medicare.gov**
- Social Security: **www.ssa.gov**
- TANF: **www.acf.dhhs.gov/programs/ofa/**

Views on Social Security reform
- **www.socialsecurityreform.org**
- **www.socialsecurity.org**
- **www.socsec.org**

SUGGESTED READINGS

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Moynihan, Daniel Patrick. *Family and Nation*. New York: Harcourt Brace Jovanovich, 1986. Argument for the importance of federal policy to aid families.

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