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ON ECONOMIC POLICY

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SOCIAL JUSTICE

Recent cutbacks in social programs have touched off a sharp and far-reaching reappraisal of the modern welfare state. Critics accuse the current Administration and those who agree with its tax and budget initiatives of abandoning America's commitment to equality and social justice. But many others point to the failures of previous policies and challenge the idea that a just society can be achieved through income redistribution programs.

The Manhattan Institute invited several policy analysts to grapple with these issues at a Forum on "Social Justice and the Federal Budget." The participants were Charles Murray, Senior Research Fellow at the Heritage Foundation and the author of *Safety Nets* and *The Truly Needy*; Nathan Glazer, Professor of Education and Sociology at Harvard University, co-editor of *The Public Interest*, and the author of *Affirmative Discrimination*; Michael J. Horowitz, Counsel to the Director, Office of Management and Budget; Leslie Lenkowsky, the Research Director of a private foundation; and George Gilder, the Program Director of the Manhattan Institute. Ken Auletta, New York Daily News columnist and the author of *The Underclass*, chaired the panel.

In conjunction with this Forum the Manhattan Institute also arranged a provocative debate between Michael Meyers, Assistant Director of the NAACP, and Michael Levin, Philosophy Professor at City University of New York, on "Justice vs. Social Justice." The edited transcript of this debate and of the Forum capture many crosscurrents of current social thought.

Social Justice and the Federal Budget

Ken Auletta—Do the policies of the Reagan Administration help or retard the poor? Do they advance or reduce the opportunities for social justice in America? Each of the speakers will address these questions. At the end of the five presentations, I may have a few questions for amplification, and then we'll get right out to the audience as quickly as we can. Leslie Lenkowsky has long been concerned with social welfare policy, particularly when he worked with Daniel Patrick Moynihan.

Leslie Lenkowsky—My remarks will appear later this summer in *Commentary*.*

Early in 1981 the Reagan Administration seems to have begun a war. It was not an old-fashioned shooting war but rather one of economics, and the adversary was not a foreign power but the poor. "What has Ronald Reagan declared war on?" asked *The New York Times* in March. "The philosophy of social justice this country has evolved over the last fifty years," it answered. "*The New York Times* is right," Henry Fairlie told his British readers. "The program is a declaration of war and what it is saying but does not say is that the war so declared is a class war."

A year later *Newsweek* emblazoned its cover with a waif's picture and the legend "Reagan's America: The Poor Get Poorer." While television brought battle scenes into the living room, social scientists produced grim statistics recounting the war's toll and one of its chief strategists, caught off guard, confessed to cutting the rations of the poor to a trickle. If, as it approached its midpoint, the Reagan Administration lacked a clear foreign policy and seemed confused in other areas as well, no one who had even casually followed the news could have doubted what it was doing domestically—dismantling the American version of the welfare state.

The President, of course, denies this, and he now has support, of sorts, from a most unlikely source—the left wing social scientists Frances Fox Piven and Richard A. Cloward.

In their recently published book, *The New Class War*, they agree that the Reagan Administration is making an effort to trim poverty programs in order to fatten business profits but argue that it is doomed to fail. The reason is that the welfare state serves too many people for it to be undone by what they call "men of property." Indeed, Piven and Cloward believe that the Reagan Administration's assault will disprove their own previous theories about the ability of capitalists to assure a supply of cheap labor by expanding or contracting welfare benefits. "Our earlier work," they write, "represents a better characterization of the past than a prediction of the future." Whatever the President and his big business allies may intend, they will not succeed in repealing the social legislation of the last fifty years.

On the face of it, this would seem to be a hopelessly sanguine outlook, even for neo-Marxists. Piven and Cloward themselves report that the brunt of the Reagan Administration's first year budget cuts fell on programs that aid the poor—such as public assistance, food stamps, and Medicaid. The second year proposals called for more of the same. When the effects of the tax cuts are considered along with the benefit reductions, the President appeared to be playing Robin Hood in reverse, taking from those with low incomes and giving to those with high. All this, moreover, is on top of an economic policy that has lifted unemployment to a post-War record.

Despite these developments, the welfare state is far from through. Even after the Reagan Administration's cutbacks, the number of people receiving Aid to Families with Dependent Children (AFDC) (the main public-assistance program) will still amount, according to the Congress-

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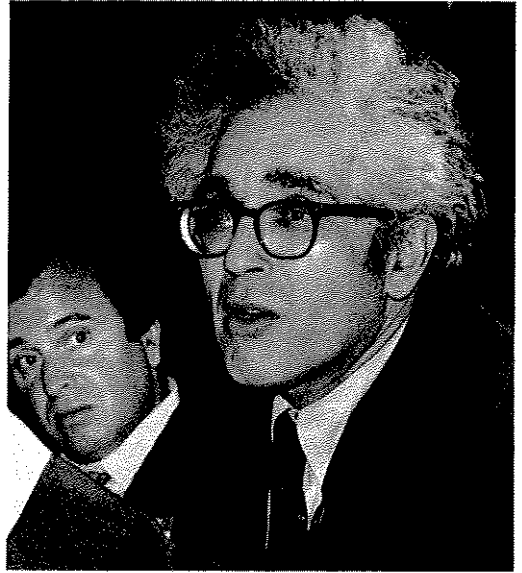
"Social welfare expenditures do not explain reductions in the number of poor, whereas changes in GNP do."—Charles Murray

sional Budget Office (CBO), to 10.7 million in 1983, down from 11.1 million in 1981. Food stamps, Medicaid, and other entitlement programs will continue to serve nearly 80 percent of their pre-Reagan caseloads. Another CBO study concluded that benefit reductions averaged less than 3 percent of income for households earning below \$10,000 per year. If savings from tax cuts were taken into account, the net loss would fall below 2 percent and virtually vanish by 1985. By comparison, the net gain to households with more than \$80,000 per year averages a mere 4.5 percent, all of which results from lower taxes.

Furthermore, the Reagan Administration's vaunted class war leaves the most extensive part of the welfare state—the social insurance programs, such as Social Security, unemployment compensation, and Medicare—virtually untouched. To be sure, since lack of income is not a condition of eligibility, much of their clientele is middle class. But much aid goes to the poor as well, and nothing the President and his allies have done changes that fact.

As Piven and Cloward suggest, one reason for this outcome is the sheer scope of American social programs. Even compared to European programs, these radical critics now write, welfare benefits in the United States "are anything but insignificant; they are a force of indisputable importance in the American political economy." Just as the Reagan Administration was supposedly declaring its war on the poor, the Census Bureau issued a report showing that one in three American households received some form of non-cash benefit from the federal government. Millions obtained only cash. More recently the New York City Human Resources Administration found that 1.4 million people—about 20 percent of the city's population—depend on at least one income support program, not including those who use Social Security or Medicare. Such figures may measure the need for budgetary pruning, but they also indicate its political difficulty.

Another reason for skepticism about an alleged dismantling of the welfare state is the inability of the Reagan Administration to present a convincing rationale for cutting social programs—other than a general desire to trim the size of government. Piven and Cloward, of course, do read into this general desire a sinister consistency. They believe the President's efforts grow out of a coherent theory of human nature—namely, that while the affluent respond to rewards, working people respond only to punishment, such as the economic insecurity that will result from the reductions of income support programs. Until the New Deal, Piven and Cloward allege, this was the reigning view, legitimizing harsh treatment when labor was scarce and generosity when it was not.



Ken Auletta, Nathan Glazer Photo by Craig Terry

But since then, and especially since the Great Society, democracy has made inroads on capitalism, and government aid to the poor has acquired a legitimacy of its own. The record of the Reagan Administration will show whether they are correct.

Be that as it may, much of what the welfare state does is not greatly affected by the condition of the economy. The number of aged receiving Social Security and the number of sick on Medicare will not much change, even if the Administration's most optimistic forecasts are realized. Full employment would still leave numerous people collecting unemployment insurance. Despite generally declining benefits, even the public assistance rolls showed a dispiriting constancy during the economic ups and downs of the last decade. The welfare state was established to deal not just with financing hardship but with the other perils of life as well. Prosperity might alleviate some of them, but even if "trickle down" succeeded, the need for a substantial social policy would remain.

Other rationales for cutting back offered by the Administration also leave much to be desired. Reducing waste, fraud, and abuse is an unobjectionable goal. But it avoids asking if an honest and efficient program available only for the truly needy is still worthwhile. Few who understand the social disaster created by AFDC will be excited by reforms which, even if completely successful, will reduce caseloads only 5 or 10 percent. The same problem also arises, given the Reagan Administration's aim of maintaining a safety net beneath which, as Churchill once said, none need fall. Such a goal implies nothing about which programs should be preserved and at what levels.

Without further guidance, the President's choices will continue to seem arbitrary and motivated more by budgetary than by social concerns. In any case, the promise of a soft landing for any or even all Americans hardly seems a rollback of the welfare state.

The New Federalism, to be sure, would have state and city governments decide social policy priorities. But will fifty or more mini-versions of Washington, D.C. perform any better than a single large one? The states and cities seem none too eager to assume greater responsibilities, and actually, local control may be only slightly enhanced if the New Federalism becomes reality. The Reagan Administration is no less hesitant than its predecessors to attach strings to federally-aided, state-run welfare programs. Moreover, if Medicaid is shifted to Washington, many more programs must be relinquished to the states if a balance is to be preserved.

Finally, the supposedly bright new idea of this Administration, private sector initiatives, is not new at all to anyone familiar with the history of social policy. Many of the most important programs—unemployment insurance and old age pensions, for example—began under private auspices. Others, like health insurance and job training, still are. Whether these and other activities can be accomplished better if government's role is diminished is worth exploring, not least to confront directly the accusation made by Piven and Cloward and others that capitalism is inherently inequalitarian and oppressive. However, if "private sector initiatives" becomes merely a slogan to induce others to pay for what the Federal government no longer wishes to, it will serve little value. George Gilder may believe that capitalists are motivated by altruism, but one should not expect

them to become social workers. Nor is it likely that they can pick up the slack, as the Reagan Administration now admits.

In summary, let me say that ten years ago Nathan Glazer observed, in *Commentary*, that there were really just two traditions in social policy. The liberal, meliorist tradition sought to provide a new program for every problem. The radicals held out hope for no solution short of a total reconstruction of society. Conservative social policy amounted to little more than the liberal version done in a slower motion. Based on the first eighteen months of the Reagan Administration, there is no reason to reconsider his model. Despite much activity, the President and his men have so far failed to develop a distinctive approach to the welfare state that could both guide their own actions and persuade others to go along with them. Until and unless they do, this Administration's only war will disappoint its friends and gratify its critics.

Ken Auletta—Thank you, Les. I suspect we may get a somewhat contrary viewpoint from Michael Horowitz, who is Counsel to David Stockman at the Office of Management and Budget.

Michael Horowitz—Limited as Les thinks our budget reductions in the past fiscal year to have been, they are regarded within the political community, and among many Americans generally, as cosmic. And after last year's alleged draconian cuts, it is said, in the name of fairness, in the name of compassion, that we can't cut anything further. That is the heart of the present impasse in our political system.

What are the facts? Just as Les mentioned, the social welfare programs, particularly the Great Society programs, are not only intact but growing.



From left to right: **Walter Goodman**, *Newsweek*; **Michael Kinsley**, *Harper's*.

Photo by Craig Terry

"Programs appearing to be 'for the poor' tend, as if by an invisible hand, to become middle class and business subsidy programs ..."
—Michael Horowitz

And growing, in some cases, at fairly substantial rates. You would not suspect from reading *Newsweek*, for example, that our 1983 nutrition program budget—said to be so harsh that we're beginning to see stories about starvation reappearing in America—provides for the subsidization of one of every seven meals eaten in the United States. Ninety-five million meals per day!

I could go on. We are prepared in our '83 budget to provide some \$15,700 a year in outlays for every couple above the age of sixty-five living in the United States. Yet we are told by congressmen and senators that the President's programs are so stingy that they don't have much chance of passage or even, in some cases, serious consideration!

Let me address the issue of budgets and social justice from a different, but, I think, a very illuminating perspective.

When this Administration took office, we confronted a level of programmatic bankruptcy unparalleled since the Roosevelt Administration. Productivity, the engine of economic growth, had literally declined in the previous three years. The significance of this single fact cannot be over-emphasized. During the 1970s—the floodtide years of social justice programs—productivity gains were less than half of what they were in the less compassionate 1960s. Median black family income, which had increased more than 50 percent in real dollar terms during the sixties, had literally declined during the seventies. Double digit inflation, not experienced since the aftermath of World War I, savaged us all, but mostly the poor. The real value of AFDC payments had declined by more than 30 percent during the 1970s, as the self-proclaimed tribunes of the poor continued to reap the political benefit for meager increases in AFDC payments, all the while indifferent to the inflation eroding their value. Or consider home ownership. Between 1977 and 1980, by reason of inflation alone—given the rise in the median price of homes and in the median interest rate—the monthly payment on a thirty-year mortgage had gone from an already historically high \$402 a month to \$821 a month. Home ownership is now increasingly beyond the means, but worse, beyond the dreams, of millions of hard working Americans.

The larger problem, in my judgment, is a phony, tragic link between social justice, properly seen as opportunity for the poorest Americans—and the income redistribution programs of the Great Society. It is a phony link, because a robust economy is absolutely fundamental to real opportunity, and we will get nowhere without it. And to the degree budgetary problems caused by these programs impede economic recovery or exacerbate our economic problems, there will be little hope for true social justice.

But it is phony in another sense as well, which speaks directly to Les Lenkowsky's comments about Piven and Cloward. The social programs of the Great Society may be too deeply and broadly coincident with powerful business and middle class interests to be vulnerable to serious challenge. This would be the ultimate irony and tragedy for the poor.

The reason for this seeming paradox is an observation I now regard as virtually an iron law. Programs appearing to be "for the poor" tend, as if by an invisible hand, to become middle class and business subsidy programs which have nothing to do with the poor and actually interfere with the government's capacity and obligation to protect the poor.

Take a look at the current budget crisis. What are we hung up about? Where are the crisis points in the budget? When the chips are down, where are people putting their priorities? In housing bailout programs to permit subsidized sales of \$90,000 homes. In Social Security, a non-means tested, pay-as-you-go income transfer program that is overwhelmingly for the benefit of the middle class. That's where the votes are. Well-meaning tribunes of the poor justify their support of popular middle class subsidies because that is the price they think must be paid to keep a kernel for the poor. But this is not the case if one looks at our proposals.

The budget reductions we have proposed have two major characteristics. First, we have sought to cut back on the universalization of benefits programs. Student loans are a perfect example where we are taking extraordinary political heat and not enough credit. Is not cutting back student loans eligibility for children of parents making \$40,000 a year in order to preserve intact student benefits for the poorest at the heart of what social justice is about?

Second, we seek to move away from programs that purportedly provide services rather than cash—programs that by definition can only operate through the medium of "public sector vendors." The Section 8 Housing Program is a classic example; Medicaid another. And one can go on and on down the list. We as an Administration have proposed cuts in synfuel programs, in Rural Electrification Administration (REA) programs, in highway and airport subsidies, in farm subsidy programs—all going to the heart of our political constituencies, in many cases, in order to preserve intact core benefits for the poorest in some of the safety net programs.

In summary, I would like first to emphasize the importance for conservatives of seriously challenging the status quo. For unless we do so there will be no real change. We will merely be called upon occasionally to clean up the mess that the

"It is a funny country where so many people who don't need it get so much money out of the federal government."—Nathan Glazer

good-hearted fellows on the other side make, thereafter to return power to those who are allegedly more caring and compassionate. I, for one—and I think the Administration also—should welcome being tested by the standard, not of how much more comfortable we make the lives of the well-to-do, but by how much hope we offer the poorest.

Finally, like Mike Novak, whose *The Spirit of Democratic Capitalism* is in some respects the most important book of the decade, we as conservatives should speak to the relationship of the American capitalist tradition to fundamental values. The capitalist tradition has achieved so much more in the way of hope and opportunity for the poor than any other system, yet it is under constant attack by theologians who purport to dream of human progress. The capitalist system captures a profoundly social, a profoundly moral vision. We all pay a price for not defending our system on these grounds.

Most of all, though, the poor pay. I was a professor of civil rights law in Mississippi during the mid-sixties to fight the obscenity of racism and segregation. I serve this President and this Administration out of the same measure of moral passion that led me to Mississippi. There is no hope for the poor, no hope for social justice in America, unless we can deal with issues like inflation. There is no hope for the poor unless we generate private sector productivity in this country. But we as conservatives—I as a conservative—bear the blame for not talking enough to where America's soul really lies: in its sense of compassion. And we as conservatives must better communicate that social vision. Unless we do, it will be back to business as usual.

Ken Auletta—Charles Murray is a researcher and writer whose primary field is social welfare policy. Formerly the chief scientist at the American Institutes for Research, he is the author of *Safety Nets and the Truly Needy: Rethinking the Social Welfare System*, published by the Heritage Foundation.

Charles Murray—As Mr. Horowitz so eloquently expressed it, the real reason we ought to be reforming social welfare policy is not because we have a budget crisis, but because social welfare policy as it stands has been bad for the poor. If tomorrow the budget crisis were to go away, I suspect we would go back to business as usual. That would be a tragedy.

Let me try to expand some of Mr. Horowitz's points, and discuss why social welfare policy in the last couple of decades has not simply been too costly, but has also been socially unjust.

Looking back over the last generation, things were getting better for the poor in this country—up to a point. Then they stopped getting better. Then they started getting worse, and this rather

sudden shift in the trends occurred precisely in the period 1968 to 1970. That is not a political statement. It's a statement of fact. Let me concentrate on what happened, and we can wonder about the why of it later in the question period. I use official government definitions of poverty as developed in the mid-sixties under Lyndon Johnson. The definition of poverty has its problems, but at least it gives us a consistent measure over time, and it is a measure not affected by inflation.

Between 1947 and 1968, the number of officially defined poor in this country declined quite steadily and fairly rapidly. It declined from about 33 percent in 1947 to about 12.8 percent in 1968, and it fell throughout all of the administrations at roughly equal rates. It fell just about as much in Eisenhower's Administration as it did in Kennedy's, and in the early years of Johnson's. What explains this drop is very simple. During those years we had a growing GNP, and when GNP grew a lot, poverty fell a lot. When GNP dropped, poverty increased. These changes had nothing to do statistically with increases in social welfare expenditures. Social welfare expenditures do not explain reductions in the number of poor, whereas changes in GNP do.

In the late 1960s these reductions slowed, then ground to a halt; and throughout the 1970s we remained flat at about 11 to 13 percent of the population below the poverty line. In 1980 we had more poor—a higher proportion of poor—in this country than we had in 1968. During that same decade cash transfers by the federal government more than doubled in constant dollars. In fact, however, we were not really holding steady in terms of poverty. The official government figures on poverty reflect cash income after you add cash from government payments. That is not what John Kennedy had in mind when he started



From Left to right: **Leslie Lenkowsky,**
Charles Murray

Photo by Craig Terry

talking about helping the poor help themselves. That is not what Lyndon Johnson had in mind when he signed the first anti-poverty bill in 1964 and said that the days of the dole in this country were numbered.

What Kennedy, Johnson, and a consensus of Americans wanted to do was increase the ability of people to provide a decent living for themselves, without outside help. In this sense, success was not mailing out enough checks to enough people to put them above the poverty line. Success was enabling a family to earn enough money to keep *itself* above the poverty line. What happens when we look at the poverty statistics from this point of view? What happened to the percentage of people who are economically dependent on the government to provide them a decent standard of living?

Again, one sees steady reductions in the number of people who were economically dependent on the government until 1968. The percentage decreased under Truman, it decreased under Eisenhower, and it decreased under Kennedy. It even decreased under Johnson until 1968, and then it turned around and increased under Nixon and Ford and Carter. I suppose it continued to increase during the first year of the Reagan Administration.

Nor is this increase in dependency a small one. Between the low-water mark in 1968 and 1980, the number of people who would be poor without government help grew by 33 percent; and these figures refer only to cash outlays. If we add the value of in-kind benefits—food stamps, Medicaid, public housing, etc.—and we talk about poverty in terms of the total package of in-kind plus cash benefits, the picture is worse, though I have less confidence in the accuracy of the figures. The best guess is that the increase in dependent people during this period—1968 to 1980—was 55 percent or thereabouts.

The important thing to remember is that this increase is not something that we have had to live with. Until 1968 the number of people who were able to provide for themselves without government help was increasing steadily. It had been since the end of World War II.

I must stress that these trends did *not* change when economic times got hard. They reversed their course in the late 1960s during the Vietnam war, when unemployment was at an historic post-War low—less than 4 percent. The jobs were there. The trends shifted at that moment in our history when they should have been least likely to have shifted, based on general economic conditions. The trends continued after the economy went sour, but they had started earlier.

I do not think that the timing of these shifts in the poverty situation was a coincidence. The late 1960s were precisely when the Great Society pro-



Michael Horowitz, Office of Management and Budget

Photo by Craig Terry

grams started to kick in. Not the little programs like Job Corps and Action, but the big ones involving entitlements, public housing, food stamps, and social services. What was big about them was not necessarily the dollars that were being spent. Some of these programs actually started life rather modestly. Rather, it was the fundamental shift that they represented in our assumptions about social welfare. For the first time in American history—and I mean literally the first time in American history—it was widely suggested and then acted upon that *welfare benefits be extended to working age people who already held jobs*.

These reforms were not foisted on the American public by a cabal; we have not been the victims of a small conspiracy. On the contrary, these policies—which provided large amounts and many types of assistance to working people—seemed to be commonsensical and eminently fair, accepted by a consensus just as broad as the one that had never considered such a notion a few years earlier. But these reforms have in practice produced disastrous results, not just for the people who pay the bill, but for everyone. Since I see social welfare programs to help people who are working as the main culprit for the breakdown of social policy, it should be obvious that my prescriptions are fairly draconian.

Ken Auletta—Our next speaker is Nathan Glazer, Professor of Education and Sociology at Harvard University and a co-editor of *The Public Interest*.

Nathan Glazer—Let me briefly discuss two prob-

lems with the social budget cuts of the Reagan Administration, to represent as best I can the outcry against the cuts.

Mr. Horowitz has discussed how modest the cuts really are in relation to the huge size of the programs. Nevertheless, there is a strong public perception that the program cuts taking place are the politically easy ones, not the most equitable ones, in terms of the costs they will impose on those who suffer them. Let me explain.

There is a commitment shared by most Americans to increase defense expenditures. There is also a commitment to cut taxes for the purposes of restoring the economy. Given both commitments, what is left are the large entitlement programs of various sorts serving in one way or another the middle class as well as the poor, and the more specifically social programs directly targeted at the poor. We all understand the problems with programs like housing, with their subsidies of \$10,000 per year per apartment that incidentally provide shelter, but mostly serve to assist the building industry and its trade unions. Nevertheless, they do help poor people, at least modestly.

These were cut, but many other programs are left politically sacrosanct, like Social Security, at least two-thirds of whose benefits go to people who can well afford to pay taxes on the benefits. Or pensions to government employees which, as we have read in *Newsweek* and *Time*, often amount to more than the current holders of those jobs now get, owing to inflation adjustments. These are as yet untouchable. Nothing can be done with them. Then there are the nickel-and-dime programs, the cutting of which would help morally and politically—like getting fees charged to people who use private planes or yachts or who make use of the Coast Guard, and so on.

The bottom line seems to have been that there was something on the order of magnitude of a 4 percent cut in federal expenditures from previously projected budget outlays. But this 4 percent fell almost entirely on about 20 or 25 percent of the budget dollar. This meant that, depending on the program, the cuts were more like 15, 20, or 25 percent. Leaving aside Mr. Murray's really excellent critique of how these programs hurt the poor, this looks unfair and it is unfair.

I don't think this occurs because the Administration likes the rich more than it likes the poor. I think it takes place because the rich and the middle classes are stronger than the poor in defending their programs. Well, if the Administration wants a reputation for social justice, decency, and doing the right thing as well as trying to save the nation, then it has to accept greater political cost by efforts to cut all down the line. We've seen modest cuts in food stamps and welfare, and bigger cuts in the Comprehensive Education and Training Act



From left to right: **Midge Decter, George Gilder, Walter Williams**

Photo by Craig Terry

(CETA) program, but there must be greater effort to cut the middle class programs.

It is a funny country where so many people who don't need it get so much money out of the federal government. We understand why, but can't we do anything about it? At one time doctors used to take care of the poor, I am told, free. Now they insist on getting paid by the federal government at the same rate they charge the rich!

My second point is bit harder to articulate in the short time allotted me. I agree fully with the excellent analyses by George Gilder, Charles Murray and others on the social problems created by the efforts to solve social problems. In 1960 there were only 300,000 people on welfare in New York. At the beginning of the seventies we had 1.2 million, and I never noticed the city had improved particularly in the meantime, nor do I recall any decline in the number of people rummaging in garbage cans for food. But the question remains, how can we roll back programs upon which large numbers of people have established expectations? Can it be done fairly? Can that image of sturdy immigrant independence which we all harbor in our mind's eye as the proper model for the poor be turned into reality by cutting back on programs? Look at the howls arising from the first few modest cuts. We know what the effect of creating the programs was. But can we get back to the situation *before* the programs, by making cuts in them? Is there any way of rolling the programs back without finding we have bigger problems on our hands than we would have had if we had never instituted the programs—or if we simply continue them?

Ken Auletta—Our final speaker is George Gilder, Program Director of the Manhattan Institute and the author of *Wealth and Poverty*.

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Justice vs. Social Justice: A Debate

Manhattan Report—This is a continuation of the Manhattan Forum on Social Justice and the Federal Budget. Michael Meyers, Assistant Director of the NAACP, and Michael Levin, Professor of Philosophy at City University of New York, will discuss the relationship between social justice, individual justice, and the welfare state. Each speaker will present prepared opening remarks and then the floor will be open to debate.

Michael Meyers—Twenty-eight years ago the Supreme Court put the Constitution on the side of blacks' struggle for equality of educational opportunity. The Court extended to blacks the ordinary guarantees of American citizenship by declaring that segregation in the public schools was no longer lawful.

This pronouncement startled many Americans who were wedded to the racial status quo and who believed that the federal government had limited powers, and that its entry into the field of "social policy" was unmitigated gall and an abuse of judicial power. The blacks' frustration, anger, and pleas for equality notwithstanding, there were white Americans who contended that segregation was proper, lawful, and necessary. Thus, blacks had not so much to win converts in the South to their cause as they had to have the law on their side. They needed enforcement of the Constitution's guarantee of equal protection. They needed the Congress to act. They needed the President to act. They got the Court to change the law and America entered a new era.

This era saw racial barriers come down and racial tempers go up. A massive change was to come out of the massive resistance to the new law.

The struggle wasn't an easy one. Racial terror had to be wiped out, as well as barriers to voting, to open housing, to public accommodations, and to better jobs and educational opportunities.

One of the principal aids to the advancement of the black equality movement was an increasing willingness on the part of the federal government to protect the civil rights of black citizens. Following the *Brown* decision came the *Cooper v. Aaron* decision, that committed the use of federal troops, if necessary, to break the back of violent resistance to court-ordered desegregation. And the Congress enacted civil rights laws to extend the vote and other ordinary privileges of citizenship to black people.

During this period, the government had a positive responsibility to do what was required to effectuate the transition to a truly egalitarian society. The right of any group of human beings to impose their will on other human beings had to be restrained, and by means consistent with morality.

In law, there is the doctrine that the victim of a transgression should be made whole. This is jus-

stice. For the black American, to be made whole meant eradicating the negative effects of segregation in society—in addition to eliminating the discriminatory practices that denied blacks basic equality. This means that blacks were entitled to a minimum wage just like everybody else. But decades of official segregation and discrimination restricted blacks to jobs and occupations that paid them less than whites. The income gap had a racial base. Decades of segregation and discrimination based on race created a dual society, one white, one black, one more economically privileged than the other. Racial housing restrictions, for instance, directly affected blacks' earning capacity by restricting their education, social contacts, and mobility.

Thus, what black people wanted all along and now demand, is simple *justice*: the removal of barriers, the extirpation of negative stereotypes and racial attitudes, and the opening up of new avenues of progress for the race. Justice is the basis for affirmative action. It has a historical dimension and a moral justification. It is also the rationale for school busing, job training programs, housing subsidies, and federal aid to education. The government is obligated to alleviate conditions it had a hand in creating and sustaining.

Today America is faced with the gravest constitutional and national crisis of recent times. The catalytic agent was the landslide victory of Ronald Reagan at the polls in 1980. In eighteen months, President Reagan has given us several occasions to reconsider the role of government in a democratic society committed to equality as a person's birthright in America. From the standpoint of the black American, Mr. Reagan is bad news. He has to be reminded of the government's affirmative responsibilities to promote the general welfare. He has, in effect, rescinded or vetoed the promises of previous administrations to foster equality of opportunity and social justice.

The programs of the Great Society, Mr. Reagan wants us to believe, are not only fiscally unsound but are morally bankrupt. His logic is that these programs have made the poor too dependent on government, eroded the work ethic, and driven the economy to a cataclysmic edge. So, he has engineered a *political* majority that has, under the guise of fiscal conservatism, retrenched "expensive" social programs and begun to dismantle "big government." The upshot of Reaganomics is, simply and plainly, that the worst paid workers continue to subsidize the rich, because all the hollering about the undeserving poor, the so-called welfare mother, has diverted attention from the greedy rich and the inept, incompetent industrialist. Reagan, unlike Carter, is not even himself pretending to be trimming the costs of running the White House. He and Nancy are en-

"Justice is the basis for affirmative action."
—Michael Meyers

gaging in an ostentatious and obscene celebration of wealth even as they cut food stamps and line the pockets of their wealthy Republican buddies through questionably-moral tax, economic, and budget policies.

The working class fellow may have an extra \$5 or \$10 in his weekly paycheck but he finds his state and city increasingly crying broke and needing more money from him in taxation, direct and indirect. Federal cuts in social and subsidy programs, for example, reduce library hours, close day-care centers, increase the waiting time for buses and trains, and increase the cost of college tuition.

Jesse Jackson, I believe, was not engaging in hyperbole or racial demagoguery when he said that Reaganomics "stands for the increased concentration of wealth, with a decreased responsibility to distribute it broadly... It will increase economic disparities between rich and poor, black and white, male and female, thus increasing racial, sexual, and class tensions in the society." It is this obscene haste to move away from affirmative action, and other such programs, that reveals this Administration's insensitivity to, ignorance of, and callous disregard of black people's entitlements. The federal budget is being recast not to reduce deficits but to *increase* deficit spending on the altar of building new and even more destructive and powerful weaponry.

The Reagan economic plan is worse than voodoo—it's poison dropped in the body politic. It is poison because more people are unemployed now than at any time since the Great Depression.

Private charity cannot and will not address this crisis. Private charity cannot and will not address these problems in a systematic, coordinated, purposeful way. The people are going to have to respond. All of the people, meaning the government. Government can, should, and must act responsibly!

Michael Levin—Most people today, including Mr. Meyers, assume that justice demands the government take care of the poor. Their principal quarrel with current programs is simply that they are not doing this properly, either through dispersing benefits too widely or providing the wrong incentive structure. All agree that helping the poor is a government obligation. I do not.

Obligations of justice are conventionally divided into the distributive and compensatory. One's distributive obligations concern the fair distribution of one's goods. Well, the government cannot have distributive obligations to the poor, because the government doesn't own any goods. Any largesse the government gives, it must first take from somebody in the form of taxes. Reagan isn't being stingy if he cuts food stamps, because it isn't his money whose distribution he is curbing.



Michael Meyers, NAACP

Photo by Craig Terry

He is simply being, at best, a little less zealous than his predecessors in confiscating what isn't his and giving it to someone else. Perhaps he has some obligation to use his legal powers to do this, but it certainly isn't a matter of distributive justice.

Nor can government obligations to the poor be a matter of compensatory justice. Compensation is restoring to someone what is rightfully his but was taken away; it typically concerns stolen goods, payment of damages, and the punishment of the initial wrongful harm. But since the poor person is not usually poor because someone stole from him, giving money or food or housing is not a matter of returning to him what was taken illicitly.

Demanding that government be "compassionate to the poor," then, is a not especially coherent way of demanding that some people force other people to be compassionate.

If someone is starving through no fault of his own, the question is not whether I should help him. I should. Nor is it whether the government should help him—since "the government" can help him only by giving him money it took from me by force. The real question is whether I have an *enforceable* duty to the starving man. How can I? I'm not responsible for his plight. I didn't wrong him or take anything from him. How did the starving man get such a claim on me? Presumably a few hunger pangs don't create an enforceable right to aid. Neither do many sharp hunger pangs. Just how, then, does a lapse into a coma create one?

Nor will it do to work in "social justice" under the government's admitted right to enforce equal liberty. The good the government protects is only noninterference. The right to life protected by the government, for example, is the right against being murdered. If you think the government has an absolute duty to keep people alive, it must be falling down on the job whenever anyone gets conked by a meteorite. The right to life does not imply a right not to starve; it implies only a right not to be wrongfully denied food by another.

Even liberals still observe the shibboleth that rights and liberties must be compatible with like liberty for everyone. Welfare rights violate this

"The trouble with quotas is that they are at the expense of the innocent." —Michael Levin



Michael Levin, CUNY

golden rule criterion. We can't both have a right to the same goods. If you are guaranteed some of society's produce, there is less for me even to try to get, much less claim by right. However, your having a right to noninterference in the pursuit of your own ends in no way compromises my identical right to noninterference in my pursuit of my ends. Rights of noninterference don't play favorites; welfare rights do. Indeed, by fostering an atmosphere of mutual tolerance, negative rights tend to expand. Welfare rights are necessarily contractive. You can't have all grasshoppers and no ants.

I am disheartened by everyone's obsessive concentration on the safety net, holes in the safety net, and abuse of that wretched safety net. Where is it written that a social and legal order is to be judged by how well the worst-off fare under it? Why not judge a society by how well the average-off or the best-off fare? I sense some deep pathology in this reflexive empathy with the maimed and the helpless, especially as it is invariably focused through the prism of race. At his first press conference President Reagan announced that he was "not here to do what the other fellows did, only better." But now that seems precisely how the present Administration conceives its role. It wants more efficiency in those colossal welfare programs without ever asking if these programs should even exist. Reagan even brags, whether rightly or wrongly, that his job training plan will train more people at public expense than CETA. Regulations are toughened so that only the so-called needy will get food stamps. This is, sadly, business as usual.

A final note. I've refrained from using the term "social justice," because it is pleonastic. Questions of justice do not arise for hermits. Any transaction which can be just or unjust is social. "Social justice" is just a smoke screen for unjustifiable and generally socialistic, if not utterly daft, programs for which no coherent case can be made.

MR—Mr. Meyers, would you respond?

Michael Meyers—Are poor people responsible for their plight? Let us clarify the facts. Govern-

ment is so enmeshed in the economy, and its policy so pervasive, that it, in effect, controls the economy. The government has put people out of work. The retrenchment of federal jobs, for example, has put many thousands of people out of work. What do these people do? Do they look for jobs that do not exist? Do they take it upon themselves to plunder and rob and commit crimes for purposes of survival? Do they do nothing and starve? The reality is that people who are unemployed must have income. Churches and other private charities have hardly made a dent in relieving this government-caused misery.

More importantly, the whole mindset represented by Mr. Levin's remarks ignores the role of government in the latter half of the twentieth century. There is Social Security. There is unemployment compensation. There are any number of problems which only government can address, not only to relieve poverty, but also to root out oppressive and inegalitarian social institutions. Now, you can deny it, but the facts are that blacks are disproportionately poor because of a legacy of racial discrimination. Proportionately more blacks are unemployed today because of the continuing practice of discrimination. Discrimination in education, in employment, and in housing has robbed them of their rightful entitlement to a decent life. They must be made whole; and the government has a duty to respond. Government *does* collect taxes. It should not pay for military build-ups and nuclear bombs at the expense of human needs.

Michael Levin—Mr. Meyers has not addressed my arguments. I would like to address his. First. If someone is unemployed, and I'm not responsible for his unemployment, does anybody else have the right to force me to give him money? That's the question. Because that's what all these social programs amount to. To fail to address *that* issue is to fail to address the problem of justice entirely.

Second. I don't see the reason for harping on race. The President has taken some very small steps to make the government stop being so racially partial and get it to a genuine position of neutrality. That should be applauded, not denounced.

Third. *If wanting to keep what is rightfully yours is greedy or selfish, then I guess Mr. Meyers is renouncing his definition of justice as a matter of making people whole.* If I invest and make a profit, I'm now whole. If the government takes it away from me, it has taken some of what is mine. That is unjust. Compensatory justice means that you must make someone whole, but not at the expense of the innocent. The trouble with quotas is that they are at the expense of the innocent.

Finally, I don't think Mr. Meyers has really answered the question of the enforceability of charitable obligations.

“Congress has rightfully accepted among its responsibilities the obligation to eliminate hunger in America and to make sure all families have decent and affordable housing.” —Michael Meyers

Michael Meyers—Whites who have been advantaged by unlawful discrimination are not innocent. You cannot tell me that blacks did not help build the railroads, that blacks did not defend this country in all of its wars, that blacks did not give their labor and that blacks were not—as a group, as a people—exploited and denied fair wages and fair opportunities. And racism is still pervasive. Does the government not have a right to collect taxes; does it not have a right to promote the general welfare? Doesn't it thus have an obligation to assist those displaced from work, to help those unable to work, to support children who have no means of support, to promote transportation and education? These human services are the responsibility of government.

Michael Levin—I understand the government's right to collect funds for purposes like national defense. This is part of the *general* welfare: it protects all of us. But Mr. Jones is lying in the ditch and he's starving. I didn't put him there, it's no fault of mine, and let's say it's even no fault of his. Nevertheless, taking money from me to give to Mr. Jones doesn't increase the general welfare. It increases Mr. Jones's welfare and decreases mine. Now, where does the government or any other party acquire the right to force me to give my money to Mr. Jones?

Michael Meyers—No one is forcing you to do anything. If you have a problem with the way Congress distributes taxes, then yours is a political problem. But the way Congress distributes taxes has a moral dimension as well.

Congress has rightfully accepted among its responsibilities the obligation to eliminate hunger in America and to make sure all families have decent and affordable housing. The fact that you don't mind people sleeping in the streets or on the subway trains is your moral problem.

Michael Levin—Let me try again. If I understood you correctly, it would be perfectly okay if the government decided to give all garnisheed taxes to Howard Hughes. That would be a political decision that Congress made. Do I understand you correctly?

Michael Meyers—No. I said it was not only a political decision on the part of Congress but also a moral decision. It's wrong for the government to force you to give your money to Howard Hughes because Howard Hughes is not being forced to give a proportionate amount of his income and money—wealth—to the government, towards social responsibility.

Michael Levin—Let me try another approach. I think you would agree that any time coercion is brought into the scene, an extra powerful justification is needed. Any time you're going to coerce

someone, justification is needed. Any time the government *expands* its role, new questions of justification arise: Is this particular coercion justified?

Police and the military are really for the general welfare. I think in a state of nature we would all voluntarily agree to create a force monopoly for purposes of security, answering the problem of coercion. We're paying for our own protection. But when the government goes on to pay people unemployment compensation, or welfare; to support ballet dances, or professors writing articles during the summer; then we must ask if this is justified, at each new step.

I ask you again. How do you justify making me give money to the man in the ditch when I don't think I'm that responsible for him? Don't I have a right to judge my own obligations? Where do you get the right to force me to live up to obligations I don't think I have?

Michael Meyers—Well, you're living in a society which makes judgments for people all the time. Regardless of whether you want to pay taxes to help the person in the ditch, others have decided that it is proper and appropriate for government to be responsive to human needs and social problems. And these are not limited to national defense, police, fire protection, and sanitation service. The need to protect children from abuse, and the need to help mothers go to work and have day-care centers to mind their children, is also essential. So is the need to supplement a family's income that falls below the poverty line.

Michael Levin—You still haven't answered my question.

Michael Meyers—I haven't answered it to your satisfaction.

Michael Levin—That's right.

Michael Meyers—We could talk for hours and days and weeks, and I don't think I could ever give you a satisfactory answer.

MR—As we seem to be at an impasse, let's try another approach. Suppose the election of Ronald Reagan and the country's so-called swing to the Right signified a very basic change among the majority of people, at least among the majority of voters, on the issue of the welfare state or the mixed economy. Perhaps they have decided the welfare state is unjust, or too expensive, or whatever. Some would return to the 1950s, some to the 1920s, some to the 1880s.

Mr. Meyers, is Mr. Levin correct in assuming that you would *not* accept that social decision?

Michael Meyers—No. There's at least two dimensions to the moral issue here. One is that the government has been withdrawing from the provision of human services at an obscene rate. This raises a moral question in and of itself, in terms of

"Most people today... agree that helping the poor is a government obligation. I do not."

—Michael Levin

leaving people to fend for themselves when they depended on government for so long to build housing, provide food stamps, etc. Second, it is true that many people preferred Reagan to Carter. But many, many more preferred others who never appeared on the final ballot. The people chose Reagan over Carter for many reasons, but not, I believe, because of his views on social programs.

I believe that Reagan, like George Wallace before him, bought into the passions and the prejudices of people with respect to race, affirmative action, big government, taxation, and overregulation. Therefore, you had a momentary political majority that gave Reagan a mandate to withdraw the federal presence in social programs by reducing the federal budget, reducing deficit spending, and inflation. But Reagan's plan did not work and is not working.

Michael Levin—I still don't see where you finally come down. Your first contention is an argument *ad baculum*, an argument from force. Whether or not you want to give your money to the man in the ditch, the majority have decided to make you do that. And that's the end of that. The majority rules.

Then, under the pressure of Howard's question, it turned out that this is not your argument. Even if the majority changes its mind and decides *not* to coerce me to help the orphan in the ditch, you still say it *ought* to. Why?

Michael Meyers—Because there are too many orphans in the ditch to depend on private charity to keep them alive.

Michael Levin—Is it a matter of degree? What about one orphan?

Michael Myers—If there were one orphan in the ditch, I don't think the government would direct tax monies into a fund to support that one orphan. However, in this country—because of history and because of government policy—there are many "orphans in the ditch." There are many people unemployed. There are many people hungry. There are many people in inadequate, substandard housing. There are many people who need the aid and support of government because they are not getting it from charitable institutions.

Michael Levin—How many orphans in the ditch does it take to justify government support? Let's call that number "n." If I understand your position correctly, we now have orphans in the ditch because of government intervention. Presumably, then, it would be permissible to withdraw government intervention until there were "n minus one" orphans in the ditch. It is only when point "n" is reached that government support becomes justified. So, why don't we, then, withdraw government intervention until we have just fewer than the number of orphans in the ditch which justifies government support?

Michael Meyers—Well, Mr. Levin, I'm sure we would disagree on the number.

Michael Levin—You pick "n." What's "n"?

Michael Meyers—We would disagree on the number. I don't know when the day is going to come when there's no need for more affirmative action. I don't know when the day is going to come when there's no more need for food stamp programs. I don't know when the day is going to come when there's no more need for the Voting Rights Act and the civil rights laws. I don't know, but I hope that when the day comes both you and I will agree that the day is here.

Michael Levin—I doubt that very much.

MR—Let me see if I can draw this discussion together.

Mr. Levin insists that the right to the product of one's labor is primary. No other individual has a more fundamental moral claim to goods, services, or their value—the product of human effort—than the producer. A just society, therefore, is one that protects and recognizes the right to freely acquire and keep property.

Mr. Meyers believes, however, that individuals have obligations to share their produce with others; and that these obligations may ultimately take precedence over the producers' rights. Thus, according to Mr. Meyers, it is right, proper, and just for the government to enforce them.

When Mr. Levin presses Mr. Meyers for the reasons behind these social obligations, Mr. Meyers responds that they arise from a number of contingencies. One is simply that the majority has so decided. Another is that there is something inherent in an advanced industrial society which virtually guarantees that there will always be a very significant number of people who cannot take care of themselves. Since these people are not responsible for their plight, Mr. Meyers reasons, society is. A third is that to the degree government activities themselves cause misery, it is responsible for a remedy. And given the historic and continuing pattern of racial injustice in this country that can be traced to government, restitution is likely to require quite a bit in the way of economic resources. Finally, Mr. Meyers insists that even if America has decided to cut back on its commitment to a welfare state, the transition is much too rapid, and is not giving poor people time to readjust their established expectations and make new provision for their future.

Michael Levin—I'll let your statement stand, Howard.

Michael Meyers—I think you have adequately summarized what has been said today; not only in this room but in the world at large. □

Social Justice and the Federal Budget

(Continued from page 8)

George Gilder—I think any conservative administration faces an almost impossible problem. I just came from Britain a month or so ago. Everyone was attacking Mrs. Thatcher for ruthlessly dismantling the welfare state. During Mrs. Thatcher's Administration, government spending as a proportion of GNP rose from 41.5 to 45 percent, the fastest rise in recent British history. And yet this overwhelming fact had no impact at all on the nature of the attacks on the Administration. The same kind of thing happens in the United States. It doesn't matter what a conservative administration does. It will be attacked for callousness toward the poor.

But let us focus on the central effect of the American welfare state on the poor—the virtual destruction of the black family in the inner cities. Fifty-five percent of all black kids are now born illegitimate. Fifty-five percent! This total catastrophe is directly attributable to the invasion of the slums by an army of well-intentioned social workers explaining to families all the benefits they could acquire from the welfare state if they broke up.

There are conferences held all across the country these days on this amazing development. I just read that Senator Moynihan claims that the reasons for the breakup of these families may be beyond the analytical powers of the social sciences. The reasons, though, are hardly mysterious. Imagine a sixteen-year-old black girl or a white girl in a slum family that's crowded. There's a lot of chaos. There are tensions, anxieties, violence in the streets. The government in effect says you can leave all of this under one condition, that you have an illegitimate child. You have an illegitimate child and they will let you leave all that: they will give you an apartment of your own. They will give you a monthly income, and a whole array of social benefits and services. They'll give you legal assistance if you get in trouble. So now we have an enormous increase in illegitimacy and fatherless homes, and, it is claimed, the reasons are beyond the powers of social science to understand!

I wish somebody had talked about family allowances—child allowances—here today, because child allowances are an important alternative to current mistaken programs. David Stockman advocated them in the House. The allowance goes to all families with children, and it can be phased in as child deductions are phased out. If it had kept pace with income and inflation since 1948, the deduction would be nearly \$5,000 today, rather than \$1,000. There has been a steady shift in the incidence of taxation onto families raising children and away from singles and child free couples. A child allowance program would reverse that trend.



Photo by Craig Terry

Peter Salins, Hunter College

Ken Auletta—George, while the 55 percent of black children born out of wedlock, and over 70 percent in most ghetto areas, is a catastrophe, the young women I encountered who became mothers did not always make a very conscious decision to have a child because of economic incentives. I met many young women who had babies simply because they were ignorant about birth control, or were just young girls who wanted something to love. What is the Gilder policy for dealing with a thirteen- or fourteen-year-old mother who wanted something to love and had a little baby?

George Gilder—The reason for the huge epidemic of illegitimacy is the economic conditions which surround the welfare culture and embrace it. As I explain in *Wealth and Poverty*, this is not a conscious decision based on immediate economic calculations. It's a welfare culture that emerged in response to a whole series of incentives that overwhelmed all other patterns of behavior. If you create a culture in which girls with illegitimate children greatly improve the conditions of their lives in general, it becomes a respectable thing to do. It becomes a more attractive kind of behavior. The possibility of marrying the father of that child is out of the question because it eliminates all these wonderful benefits that you would otherwise receive. They say they've got a program for unemployed fathers, but the fact is, the government makes one overwhelming point to welfare recipients, namely to keep it simple. You don't want to have a complex application with somebody in the picture who has got some in-

*"All large lower-middle-class families in America today would benefit greatly in income terms by going on welfare."
—George Gilder*

come, because it means whenever there is a welfare crackdown or whatever, you're likely to lose your benefits. He loses his job, you won't get on again easily. The fact is that the welfare system tells you to be truly needy. A woman with kids is truly needy. The overwhelming number of people in the welfare culture have been able to qualify on those grounds.

Ken Auletta—Mr. Horowitz, you said conservatives generally were guilty of not having a social policy. Do you think that the Reagan Administration has a social policy, other than rolling back the welfare state?

Michael Horowitz—I've sat in rooms at three o'clock in the morning where there is no posturing; and I've seen the budget decisions made on the basis of a commitment to preserve government's capacity to provide benefits for the poorest.

Anyone who thinks we could maintain social welfare expenditures in the face of the budget realities, in the face of the declining American economy, is talking nonsense. The only other political strategy would be indiscriminate, across-the-board cuts. So the strategy that can preserve the government's ability to aid the very poorest is to do so through the medium of means tested cash payments, rather than through current service welfare programs. We are biased against programs that pass through services to the poor through the medium of public sector vendors.



Photo by Craig Terry

Walter Williams, *George Mason University*

Walter Williams, *George Mason University*—I'd like to address the panelists as a whole. We have all been discussing social justice, but no one has defined it. Let me offer a definition. I keep what I produce and you keep what you produce.

Ken Auletta—Who wants to produce a response?

Michael Horowitz—What Professor Williams said is an element of justice, but not the whole of it. Social justice is the idea that government, representing the community as a whole, is responsible for providing some measure of assistance to people temporarily or permanently incapable of caring for themselves. I would not agree, nor do I think the President would agree, with quite so draconian a definition of social justice as yours.

Leslie Lenkowsky—Walter, you've given us a very good definition of *individual* justice. You seem to be denying that there is such a thing as social justice.

Walter Williams—Social justice should not contradict individual justice, either in theory or practice. For example, if an individual does something that would get him arrested or jailed, it is not socially just for the government to do the same thing. For instance, here is a poor lady that needs teeth. I could walk up to you with a gun and say, "Give me your money so I can give this old lady some teeth." That is robbery and it's unjust. It doesn't change anything when, poof!, the government comes to me and says, "Mr. Williams, that money you were going to spend to plant trees you will now give to me and it will go to that toothless old lady." People declaim about the callousness of budget cuts. It's pretty callous to forcibly deprive me of the fruit of my labor for the benefit of some other individual who didn't sweat my sweat. I don't consider that social justice.

Peter Salins, *Hunter College*—George, how do you reconcile child allowances with the drawbacks the other panelists have indicated inevitably arise from universal, non-means tested programs—or your own observations about the supply-side labor induced by child support systems?

George Gilder—Child allowances go to all families regardless of their income or marital status. If a sixteen-year-old girl, for example, marries the father of her child, she doesn't lose her benefit. Rather, she gains any income the father can provide. Today, if she marries the father of her child, she most likely loses all of her benefits.

Child allowances also reinforce lower-middle-class families. All large lower-middle-class families in America today would benefit greatly in income terms by going on welfare. All of them. A lot of them don't because they're committed to retaining intact families or they're resistant to the welfare state. But all of them would qualify if they could break up, and they would benefit. Their in-

comes and services would greatly expand as the result of them going on welfare.

Now there is an \$800 tax credit for day care if you have two children. The mother who raises the children herself has to forego this \$800 credit. I'm for phasing out all those special credits and replacing them with child allowances that go to all families.

Midge Decter, *Committee for the Free World*—Mr. Murray, the turning point in social policy seems to have been the subsidization of the working poor around 1968. But the rationale for that policy was to eliminate the disincentives of working compared to welfare. What went wrong?

Charles Murray—Up until 1968 there were absolutely no incentives to get off welfare in the sense that incentives are construed now. If you got the job, you lost your welfare benefits in virtually all cases. During the same period of time the number of people in this country unable to provide a decent living for themselves steadily decreased.

Then, in 1968 and thereafter, we decided to provide an incentive to get off welfare. The incentive amounted to the following: get a minimum wage job, and we will let you keep *some* benefits. Since welfare benefits are nontaxable while wage income is taxable, however, the new entrant to the labor force experienced what amounts to a 66 percent rate of income tax!

Even more important, perhaps, was the utter neglect of the effects of these new post-1968 programs on *already* employed, marginal workers; they now had an incentive to get *on* welfare.

Let me sketch an example. Under the old system, suppose you're a dishwasher. It's a low-paying, insecure job with no future. Five years from now you would really like to be, say, a union worker with some seniority in a better paying job. Even in the short term, under the old system, there is an incentive to hang on and plan for the future. But suppose you can obtain some welfare benefits as a dishwasher. Now that insecure and low paying job begins to have more merit. Indeed, there is less penalty involved in drifting in and out of the labor market altogether. Some begin to think in terms of putting together a package of welfare, off-the-books income, and a variety of other things to maximize current income, at the expense of those short term investments necessary to move oneself into a more secure job which would put one safely above the poverty line.

I think what happened was that policymakers overestimated the incentives that maintenance of benefits would have for those on welfare contemplating entry into the labor market, relative to the incentives for stagnation, dependency, or even labor market *exit* now facing those with marginal jobs. □

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