

Chapter Thirteen: Expenditure Programs for the Poor (275 - 298)

A quick Look at Welfare Spending (275)

Welfare spending in the U.S. is mostly through means-tested programs

Means-tested, a program you have to qualify for

1.8% of GDP in 1968, up to 5% by 2004 (more now)

In 1968, about 50% cash assistance, now down to 20%

The above only include explicit transfer programs

So Social Security, Medicare, ACA not included

AFDC (276)

Aid to Families with Dependent Children (AFDC)

DIGRESSION: RIGHTS VS. ENTITELMENTS

POSITIVE AND NEGATIVE RIGHTS

AFDC provided money transfers for the “deserving poor”

Single parents w/children

Created many disincentives to work

And incentives for “welfare babies”, against marriage

TANF

Temporary Assistance for Needy Families (1996)

Changed AFDC if several fundamental ways

Temporary, it was no longer an entitlement

About 4 million people a month

About half of welfare rolls “disappeared”

Time limits.

Maximum of 5 years of benefits.

States can reduce this...

Often, will limit it to much less (20 months) at a time

20% of caseloads are exempt

(hardcore poverty)

Work Requirement

States are penalized if recipients are not working

50% of single mothers, 90% of married couples

Work preparation counts (training programs)

Block Grants

AFDC had no fixed limit on spending

So effectively, the Federal govt. subsidized states

Who had little incentive to reduce poverty

Now states get a block grant, to use as they want

Reduce teen pregnancy, work training, cash transfers
Whatever, as long as the work requirements are met

Benefit reduction Rates

States can decide how much to reduce benefits for work
AFDC was one for one, now it varies a great deal

Income Maintenance and Work Incentives (277)

The Basic Trade-offs

$$B = G - tE$$

G, the grant an individual receives

t the amount that benefits are reduced for each dollar of

E earnings by the recipient

Effectively, t is the tax on earnings, taken out of benefits

So $B = 0$ when $E \Rightarrow G/t$

So how does TANF effect state incentives?

The larger the basic grant (G), the higher the t must be to keep program in balance

Graphical Analysis

AFDC -- $B = G - tE$ where $t = 100\%$, so $B = G$ or E

TANF -- Wages and hours....

state receives

Empical Analysis of Work Incentives and TANF

Work Requirements

Workfare – Forcing the aid recipient to accept jobs

Graph that out under AFDC conditions

Empirically, the income of the poor went up only a little

But their available hours went down

So the work substituted for benefits

This implies a decline in benefits to the poor

But is good for the taxpayer

And maybe for the poor

Time Limits

Did time limits get people off the System?

Probably yes. About 60% of cases were closed in the first 10 years

Though new cases were added in that period

A booming economy helped

Many cases simply “disappeared”
An uptick since 2008 Financial Crises

Family Structure

An attempt to measure marriage rates/broken families before/after
Some small evidence that families are more intact
A much longer time-frame is probably necessary

National vs. State Administration

Tiebot voting and a Race to the Bottom?
Little evidence to suggest this
May have been changes in the composition of the poor....

The experimentation at the state level has been great
Many different programs and systems
And the states are paying attention to each other

The Earned Income Tax Credit (285)

Supplemental Security Income (287)

Medicaid (288)

Unemployment Insurance (289)

Benefits

Financing

Effects on Unemployment

Food Stamps and Child Nutrition (291)

Housing Assistance (292)

Programs to Enhance Earnings (294)

Education

Employment and Job Training

Overview (295)

Summary (297)

Discussion Questions (298)

Chapters 1, 3-6

Since Midterm

Health Care (Chapter 9 and 10)

Note I covered these in class in a different format

ACA – (Not sure yet...)

Education Reform (Chapter xx)

Social Security (Chapter 11, from before midterm)

Poverty (chapter 12 and 13)

Education (chapter 7)