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Why welfare needs reform

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With Congress back in session, what's one of the more controversial items potentially on 2018's legislative docket? Speaker of the House Paul Ryan says welfare reform is in the cards.

That's encouraging, because U.S. welfare programs are in desperate need of change. Welfare programs in the U.S. regularly fall short of their purported goals. These failures should concern individuals that care about effective institutions, poverty reduction and good governance.

But for some reason, these issues often don't concern the right people. Political interest groups often ignore welfare's existing problems largely to preserve coalitions and signal their ardent commitment to redistributive policy.

This is short-sighted. A variety of welfare programs suffer major losses due to structural flaws and mismanagement on a recurring basis. And despite what advocates of welfare programs say, these problems are well-documented by objective sources, not some figment of a powerful imagination or extreme ideology.

As an example, take the Earned Income Tax Credit: the program currently pays 21-26 percent of its payments "in error," according to the Internal Revenue Service's own estimates located under the "fraud" tab of its website. Much of these improper payments are attributable to the program's complex design, and administrative changes that simplify the filing process may reduce billions of dollars paid out by mistake.

Similarly, consider the benefits provided by the Temporary Assistance for Needy Families (TANF): one-third of federal and state TANF spending and 50 percent of state TANF spending were in "other areas," according to the Center for Budget and Policy Priorities. "Other areas" includes non-welfare state services. But individual states should be required to fund those activities themselves, rather than require the nation at-large to subsidize state activities.

Not only are current federal programs poorly overseen or mismanaged, they are often duplicative. Consider the 342 economic development programs; 130 programs serving the disabled; 130 programs serving at-risk youth; 90 early childhood development programs; 50 homeless assistance programs; and 40 separate employment and training programs, just to name a few federal examples. To contend that running this many unique programs with unique rules is anything but wasteful requires willful delusion.

Many of these programs have nearly exact overlapping missions. Consider the five federal programs with the purpose of providing school meals: the National School Lunch Program, the

School Breakfast Program, the Summer Food Service Program, the Child and Adult Care Food Program, and Special Milk. Lobbyists need each to exist in order to protect their own benefit streams. And as researchers point out, legislators have reason to like these inefficiencies because more individual programs mean more legislation to take credit for.

These problems are just the tip of the welfare iceberg, but other problems lie beneath. For example, welfare programs benefit all sorts of people who are not their intended beneficiaries. Lawyers, developers, and financial intermediaries capture a majority of Low-Income Housing Tax Credit benefits while low-income tenants receive just a fraction — an estimated one-quarter — of the subsidy in rent savings. Yet the program still receives broad bipartisan support: special interest groups aggressively lobby for its maintenance and expansion (see: tax reform) and praise it as a success.

Or consider the Community Development Block Grant, an economic development program to “ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs.” In practice, CDBG funds yuppie pipe dreams like craft beverage trails, breweries, microbreweries, minor-league baseball stadiums, the expansion of an art museum, a Louisiana marina, and more. Given that 75 percent of qualifying low-income tenants do not receive federal housing vouchers, the Department of Housing and Urban Development’s allocation of CDBG funds is particularly galling.

Finally, U.S. welfare programs create various widely publicized behavior incentive issues. Incentives abound to reduce work to meet poverty requirements in order to capture benefits or delay marriage to avoid marriage penalties.

These issues are surprisingly pervasive. The Earned Income Tax Credit, roundly touted by conservatives as a helpful pro-work, pro-family welfare program isn’t even immune: academic research consistently finds the EITC increases the number of recipients in the labor force but does not increase work. In fact, evidence suggests that the EITC even reduces hours worked for married men and women.

Yet despite various issues, arguments advanced in certain quarters maintain that U.S. welfare programs are “working perfectly” as-is. Available information does not support this argument.

Indeed, there is room for improvement. And if political operatives and public intellectuals were honest, they couldn’t help but agree that welfare programs are in need of it. Members of Congress should ensure that welfare reform ends up being a legislative priority this year, rather than wasting away on a wish list

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