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## Not so fast on a universal child benefit

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Sam Hammond and Robert Orr of the Niskanen Center have published a very thoughtful paper proposing the establishment of a Canadian-style Universal Child Benefit. They make a compelling argument that replacing the current mish-mash of child-centered social welfare programs with a single cash benefit would be both more efficient and more humane than what we have today. But, before we get carried away and rush down the road to another new entitlement, there are many questions that need further exploration.

Hammond and Orr call for the elimination of eight existing programs (the dependent tax exemption, the portion of food stamps (SNAP) going to child recipients, five separate school nutrition programs, and the dependent care credit). They would also fold the existing Child Tax Credit (CTC) into their new benefit. This would free up \$147.5 billion annually, allowing for a \$2,000 per child cash grant on a budget-neutral basis. The benefit would be phased out for incomes above \$75,000 for single heads of household and \$110,000 for a married couple.

There are several important advantages to this approach. First, cash is almost always preferable to in-kind programs. Cash payments are transparent, treat recipients like adults, and allow for greater flexibility of individual preferences and circumstances. Moreover, the shift to cash will help break up the concentrated lobbying power of special interests who benefit from in-kind programs, reducing the constant pressure to increase benefits. In general, as I have argued, we should be transitioning our entire social welfare system to cash.

Second, Hammond and Orr's approach would treat families more equitably. For example, current benefits reward parents who purchase external child care services, but do not benefit traditional stay-at-home parents. Existing programs also tend to benefit those individuals, often more educated and even middle-class, who have the time and expertise to navigate the bureaucracy, rather than those families most in need. A universal child benefit would extend benefits to many who have not been able to access them.

And, third, a universal child benefit could help reduce poverty. Hammond and Orr estimate that their proposal would reduce poverty by 1.7 percentage points and bring some families out of deep poverty, using the Supplemental Poverty Measure. If we can reduce poverty without any increase in expenditures, that has to be considered a positive.

Why then am I cautious about heading down this road? First, while Hammond and Orr are sanguine about the effect on work incentives, I am less so. No doubt, the availability of funds for child care would help many mothers enter the labor force. But, at the same time, previous studies with guaranteed cash benefits have resulted in a decline in work participation. Most recently, a study by David Price and Jae Song found some evidence that cash-assistance could lead to unintended and unanticipated long-term reductions in work effort for adult recipients, although it's not yet clear what the underlying mechanisms are.

We should also recognize that a child benefit is a reward for having children, not for work. Should we be in the business of redistributing from childless families to those with multiple children? For that matter, should we be in the business of rewarding child-bearing by families well above the poverty level? We may well want to offset the cost of having children for the poor, but do we want to do the same for the families earning \$110,000? And, what does this say about the relationship between individuals, the state, and the choices we make?

Finally, and most importantly, Hammond and Orr envision their proposal as a substitute for existing social welfare programs. In this regard, they are heading down the road to a Universal Basic Income (UBI) advocated by Charles Murray. However, many liberal advocates of a UBI or child benefit see such a program as being added on top of existing welfare programs. Indeed, Hillary Clinton has called for doubling the current credit for children ages 4 and under, and eliminating the earnings exclusion for refundability. Such an add-on approach would both increase dependence on government and be unaffordable.

In particular Hammond and Orr's call for eliminating child SNAP and school nutrition benefits would be heavy political lifting. The demagoguery from advocates of the current welfare state would be amazingly easy. That doesn't mean that it's an approach that shouldn't be pursued. It does mean that it should be pursued with great caution.

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