

POVERTY AND WELFARE

I Can Poverty Be Eliminated?

L: It is a shame that a country as wealthy as ours --the wealthiest country in the world--allows so many people to live in misery.

C: Allows?

L: No, I don't mean the poor volunteer for poverty. They don't want to be poor. And we can and should help them to live better. We must solve the problem of poverty.

C: Don't we spend immense amounts of money doing just that?--more than was ever spent before by anybody?

L: Not enough; and it is spent wastefully, humiliatingly, bureaucratically. The poor are still there--worse off than ever in the midst of plenty. Nothing we do seems to help.

C: Well then why do you think spending more would?

L: What else? We must spend more and in new ways.

C: One reason for failure is that for all too long a time we have done just what you urge: when the old ways to help the poor did not prove effective, we decided each time to add some new program, and spend additional money

on it. (Incidentally though there is plenty of fancy rhetoric--"wars" against poverty, etc.--no one ever has outlined what specifically is to be achieved.)

The result has been an incredible hodgepodge of overlapping local, state and Federal welfare programs. They support a steadily increasing welfare population and a bureaucracy increasing even faster. Paradoxically, the poor population is decreasing rapidly; but the welfare population is increasing even more rapidly.

L: Surely the war on poverty is not that effective. It was started because there was so many poor.

C: I doubt that. But be this as it may, the size of the group classified as poor has rapidly declined since the turn of the century.

L: Perhaps we were worse off in the 19th Century. But our problem is now. We have too many poor in the 20th Century.

C: "Too many" implies a comparison to some standard --either the past, or some ideal. Let me consider both standards. If we follow the present definition of the Social Security Administration, and classify as poor all those families (defined as 4 persons, in urban areas) ~~remixing~~

receiving (in dollars of 1964 purchasing power)* less than \$3130 a year, we find that at the turn of the century nearly 90% of all families were "poor"; in 1920 about 50% (1/2) of the total population; in 1962 about 20% (1/5 of our population); now in 1968 about 15-16% (1/6 of all families). This is a remarkable--and wholly ignored--performance. (Sampling informally, I found that about 1 college student in 200 knew about the decrease of poverty--clearly matched by an increase of concern but not by any decrease of ignorance.) It is a performance of the free market system never equalled anywhere at any time (is that why it is ignored?). It was accomplished despite--or possibly because?--there was no "war on poverty."

L: But what about the remaining 15% of our families who do not live on a decent scale?

C: If poverty were to decrease in the future at the same rate as in the past, there would be no poor left within 20 years.

* Other departments use (slightly) different figures; but the difference is negligible. Of course, the poverty standard differs with circumstances: e.g. a single urban adult is "poor" if he has less than \$1540 annually.

L: Sounds good. Do you really believe it will happen?

C: No. Poverty will not disappear; and, unfortunately, it will decrease at a slower rate from now on because of two obstacles. Poverty cannot disappear because the definition of "poor" is neither fixed nor objective. Oddly enough liberals believe that there is an objective and fixed standard for "poverty" but not for other moral ideas. Yet "poverty" is a social evaluation based on the current middle class scale of living. Any family with an income by more than 2/3 below the average middle class income is "poor." As middle class incomes rises so does the income that must be received if one is not to be poor. Hence, "the poor ye will always have with you"--by definition: "the poor" are those in the lowest segment of the income distribution. And there must always be a lowest segment unless everybody receives the same income--which is neither possible nor desirable. Unequal distributions necessarily have a highest group --the rich--and a lowest group--the poor.

L: So we may not altogether eliminate poverty. Can nothing be done about it?

C: We can reduce the size of the "poor" group; and the degree of poverty they suffer--the gap between them and the lower middle class.

Which is what we have done. I already pointed out the amazing reduction of the proportion of poor people in the population. The comparative gap between poor and non-poor at various times involves complex measurement. Perhaps it is enough to know that the poorest 15% of our population live much better--command much more purchasing power--than 60% of the families in the Soviet Union--not to speak of China, or the "undeveloped" countries. Our poorest Negroes command about ten times as much purchasing power as the African contemporaries. (The average Negro commands as much as the average French or Italian worker.)

L: Well, money isn't everything.

C: Yes; a favored saying of the rich. It is good to see you pick it up. But we were talking about poverty: (lack of) money.

L: Why then are poor Negroes so unhappy if they are not that poor?

C: They don't compare themselves with Africans--despite all the fantasy talk--or Europeans. They compare themselves with white Americans. And they have less; which, understandably, they resent. Indeed, if there

are fewer poor, they resent their poverty more. They are isolated, marginal, "underprivileged"--(a marvelous word, incidentally). The population is divided into three groups: the under, the over, and--shall we say--the normally privileged? left behind--and more unhappy than they might be if there were more of them.

L: Can we reduce the number of poor, and their poverty more than we have?

C: We can. But we cannot hope to make progress as fast as in the past. For one thing the "war against poverty" has created agencies and bureaucrats with a vested interest in the poor--they make their living and derive their power and status from the existence of the poor. They will not let their clientele disappear. Many of those who are now poor have a symbiotic interest. For some ~~xxx~~ at least it pays more to be "poor" than to work. I do not know how important this antagonistic symbiosis is. But in the past no one had an interest in being poor and very few people could gain status, or make a living, by being poverty experts, or bureaucrats. Whereupon ~~xxxx~~ poverty rapidly diminished. Now we may get some catogenic poverty.

More important than this, the poor who still are poor often are people--unlike those who were poor in the past--

whose poverty is not simply explained by remediable external conditions, such as unemployment or lack of skill. They are sometimes unemployable, often hard to employ because of physical and psychological defects; others are incapable of acquiring a skill or not "motivated" enough (i.e. unwilling) to do so. This is to be expected. The mobile poor, those who simply lacked opportunities, no longer are poor. We are at the bottom of the barrel. Many of the families now poor are not easy to help. They have characteristics which reduce employment and earning ability even when opportunity is presented.

L: So you just would give up?

C: No. I would urge programs that instead of encouraging dependency would encourage and help people to become independent--to earn their own living.

L: Can that be done? If so why isn't it being done?

C: It cannot be done with all the poor. But certainly with many with whom no serious attempt is made today. In the past purely because of bureaucratic obstacles--which explain but do not justify our failure. But now ideological obstacles have been added. For instance, "the war on

poverty" has largely turned out to be an attempt to organize the poor as such to make them a permanent "class conscious" group. Which in the main is inconsistent with helping them individually to overcome poverty. The whole philosophy of "the war on poverty" is, to put it mildly, absurd: 1) our government spends our money to create pressure--even riots--against itself and us, 2) not only are the poor organized to blackmail us--they are also organized to remain poor. To organize means--almost by definition--to perpetuate a group. The attempt here is not to make it easier to leave the group but rather, to make membership less unattractive. This is done largely not by giving the poor opportunities to leave poverty behind--but by giving them rights as "the poor", preeminently the right to blackmail.

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II

How Poverty Can Be Reduced

L: In your view, what should we do?

C: Let me first give you an idea of who the poor are. (Incidentally, despite all the research, too little is known about who is poor and why.)

According to government data and standards, there are about 6 million poor families (about 34 million persons); 25% of these have heads over 65 years old; 22% are headed by females. The remaining nearly 50% of all poor families had employed family heads, who do not earn enough to set the family over the poverty line.

One other point: 15% of all poor families had five or more children.

In the light of these data, a satisfactory welfare system must attempt three things which are not always easy to reconcile with each other. But the present system accomplishes none, indeed defeats each of these goals. And the "war on poverty" involving the ideology of failure --and how has become a failure of ideology.

1) We must provide in the simplest way--with the least administrative cost--for those who cannot provide for

themselves and are unlikely ever to be able to--while yet trying to encourage them to do what they can to earn money. Above all, however, we must try to reduce the number of people in this permanently dependent class.

2) We must persuade poor families at least not to have more children than rich families do, a) by making contraception easier for them, b) by making it more rewarding to have fewer children and less rewarding to have more.

3) We must help those who work but earn less than they need to go above the poverty level to earn more by a) up-grading their skills; and giving them better opportunities; b) subsidizing them meanwhile in such a way as to encourage them to continue to earn and to increase their earnings. At present, higher earnings--often any earnings--are penalized by ~~tax~~ deduction from ~~welfare~~ the welfare subsidy of these earnings--sometimes by deductions greater than the added earnings. This means that people who can work, but cannot earn much, do better not working. They are helped more if they give up than if they keep trying.

L: The principles are fine. But what do you propose concretely? What will you do about slums, low wages, no jobs, no skills, too many children, too little education,

destitute old age? Do you propose a guaranteed annual income? a negative income tax? The government as employer of last resort? Subsidies for businesses to employ "unemployables"?

C: Different groups need different kinds of help. Traffic accidents certainly require hospitals for victims. But road design, traffic laws, and enforcement are no less important. With regard to poverty, the emphasis seems to be on bigger and better hospitals, on organization of patients, etc. Little attention is paid to what gets people into them and out again.

L: O.K. You are interested in reducing the number of victims. I'm sure they do not volunteer. What do you propose.?

C: Well, let me start with the group regarded as least promising: families headed by people over 65. Here Milton Friedman's "negative income tax"--a subsidy that decreases with higher income in such a way as not to impair the incentive to earn the higher income--would be appropriate. This subsidy would be given on the mere income and age declaration of the recipient. (Some cases would be investigated as some positive income declarations

are. But not all.) This would greatly simplify administration.

The main emergency help elderly people need in addition to regular welfare payments is for medical expenses. These are now taken care of by Medicare. Hence I would give this group a subsidy in the form of a negative income tax--nothing less and nothing more. No schedule of allowances for this and that. A block subsidy in a form that encourages private earnings and in an amount that makes these desirable, but not indispensable. We could do without home visits by social workers, as long as the recipients are mentally competent. Counseling can be done by available private institutions.

B: What about emergencies or special cases?

C: Private charity in the past carried the total burden. I think it is able to help in special cases, and can do so much better than the government. Let me repeat: no schedule of allowances. The negative income tax--i.e. a block subsidy--plus what Medicare, pensions, etc. are already provided.

L: You assume that people over 65 are unlikely to earn money by working?

C: No; they are less likely to be employable than people under 65, but many people in this age bracket can and will work, at least part time. The negative income tax would not reduce incentive.

However, something else does. Elderly people often cannot work as well or as steadily as younger people. Therefore employers will not hire them--at least not at the same wage they pay younger people. Hence, they remain unemployed. They would be much more employable if employers were allowed to pay them less than they pay more productive workers. This problem can be solved only if by law a) union contracts must permit the hiring of people over 65 at non-union wages; b) minimum wage laws exempt people over 65 (as well as, for similar reasons, people under 20; I should exempt everybody--together with all leading economists, I regard minimum wages as political quackery helpful to demagogues, harmful to those allegedly benefitted).

L: But they would then get very low wages; while employers would get high profits from exploiting them. This may even impair the wages now paid to people under 65.

C: I think these fears are groundless. To be sure, wages for less productive workers would be lower. But a low

wage is better than none. And employers would not pay the wages they pay more productive workers. Setting the wage higher than the productivity of these workers warrants--as seen by employers who do the hiring--means simply that they won't be hired. The negative income tax would supplement their income which thus would be higher than without working. If the wage seems too low to the employables in question, they won't accept it. They would get a higher subsidy then--but still less than they would get if they are employed. Right now they do not have this choice. They simply are compelled to remain unemployed.

Employers will not profit excessively. If the hiring of old people proves profitable, their wages will go up--others will want to hire them too, until the extra profit disappears. Nor will younger workers suffer. If they are more productive than older workers, employers still will be willing to pay them higher wages, and will have to do so, as they compete for these workers.

L: I don't think the unions will like this anyway.

C: Probably not. They seldom like anything new. I'd be writing by candlelight if we had depended on them. But it won't harm them and they can live with it. Old people should

not be discarded from the productive process and compelled to retire into inactivity and poverty. They should be allowed and encouraged to work and earn to the extent of their inclination and ability--a privilege now given only independent entrepreneurs and professionals and withheld from workers and employees--largely by their own unions. And let me assure you no "make work" psychologically takes the place of actual work through normal employment processes.

L: O.K., let's go on to the next group: female family heads, many with five or more children, most of them deserted by the fathers.

C: Such families are usually poor because the father has deserted and does not contribute support and the mother has to take care of the children and, therefore, can earn only very little money if any. We need answers to two questions: a) what can be done to improve the lot of these families; b) what can be done to discourage other men from deserting and women from being left many children.

L: Well, do you intend to punish them for bringing children into the world whom they cannot support?

C: If conception were deliberate, or even merely inadvertent, a case for punishment could be made; but it

would be hard to inflict any punishment without also punishing the children; which would be unjust. A case for punishing the deserters also could be made. But they are hard to catch and the evils created might be worse than those punished.

Most of the women in question do not have their children deliberately. Some ~~didn't~~ didn't know how to avoid conception; some didn't have the means to do so; some, finally, neglected precautions. Very few were deliberate.

The first thing to do, therefore, is to inform them. All nubile female welfare clients should be given complete contraceptive information. Secondly, contraceptives should be available for a nominal charge to all female welfare clients for the asking. Thirdly, they should be impressed with the disadvantages--for all concerned--of having children without having established a stable union with the father. I think these measures together would greatly reduce the number of families headed by females and the number of children per family. The remaining families without male breadwinners and with many children would be either families in which the breadwinner disappeared for unforeseeable reasons, such as death or illness; or families created by a mother who deliberately had them.

counting on the community to support her children and her. There is not much we can do about the first case except try to take care of the bereft family. As for those who deliberately bring children into the world for whom they cannot provide, I think ways can be found to discourage this--without harming the children.

L: Really? Why isn't it done?

C: I do not think that there is much point worrying about this until we know how much of the problem will disappear once we make information and contraceptive devices easily and fully available.

L: Wouldn't that involve costly medical examinations?

C: They certainly would be less costly than children. Contraceptive loppes inceed have to be inserted by physicans. And only physicians can sterilize. But there is no medical reason for classifying contraceptive pills as prescription drugs except to increase the income of physicians.*

L: Aren't there possible dangers and contra-indications?

* New York State recently prohibited laboratories by law to test urine specimen for pregnancy or to disclose results unless it is done through a physician. Guess why?

C: There are. And they might be mentioned on the label. But the dangers are few and less acute than those threatening if a person who should not, eats sugar. Yet we have not made sugar a prescription drug, nor do we ever label it as dangerous for diabetics.

L: What would you do with those families who already are in existence with many children and no father present?

C: Often the father is absent because he could not earn enough to offset the welfare payments that stop with his presence. Sometimes--when there are many children--these welfare payments exceed what he can earn. These payments should not depend on the absence of a breadwinner. They should supplement the family income.*

As for families actually without a male breadwinner, we must give mothers an incentive, and the opportunity to work. The incentive can be provided by not reducing subsidies by as much as the income earned--by reducing welfare payments much less, so as to leave a considerable net increase of income, if the mother works.

* I should also favor an economic incentive for families to stay together--the opposite of what is now done. But this cannot be elaborated here.

L: But how can the mother leave her children? To hire someone to take care of them would cost as much as she can earn.

C: Once the youngest child has reached the age of three --even before--it is possible to entrust his care to someone else than the mother during the day. Even before, babysitters may set mothers free for part of the day.

Some mothers could be provided with a little instruction --very little is needed--and with rented space. They could be hired then, to take care of a number of children of other mothers who thus would be freed to work.

L: This seems simple and feasible. Why ~~isn't~~ isn't it done?

C: I'm tempted to say because it is simple and feasible. In effect, our welfare bureaucracy likes the old ways. And things like "headstart" as far as the evidence goes, useless ~~isn't~~ but more pretentious and costly are therefore preferred.

L: What can you do about that?

C: A lot. One could require that employable mothers accept jobs and classify them as employable unless there are special circumstances which prevent them from working. However, given incentives, encouragement and opportunities, most women in that situation would prefer to work--if their children are taken care of, and if their net income is

increased thereby. Therefore, let's see how far we can go by making work attractive before worrying about people who might prefer to be supported by welfare payments. Certainly a program to hire welfare mothers to take care of the children of others who are out working or to baby sit, would easily pay for itself.

L: Well, that takes care of the elderly and the mothers --about one-half of the poor, and an even greater proportion of the welfare population. What about the remaining half families with a working father unable to raise the family above the poverty line?

C: Here, too, I believe that something like the negative income tax--subsidies to supplement earnings would be best. As earnings increase, such subsidies should diminish finally to zero, but in such a way that there remains a significant net advantage in adding to earnings at all times.

L: Certainly this would be better than the present system. Yet I feel it does not go to the root of the matter. Why do these people earn so little? Why are so many of them unemployed?

C: I do not believe that there is an overall solution. Some have low skills; some have big families; some are unproductive; some are not allowed to work where they could (or to acquire skills) by unions and by employers who do their bidding.

L: Why could we not have a system that makes sure that everybody has a minimum decent income? Why do you insist on the piecemeal measures you have outlined, and which --regardless of their merits--do not solve the problem of poverty, of slums, of unemployment, of inferior education?

C: Because there is a "problem of poverty" only in the sense that there are poor people. As soon as you ask why you find many problems, the symptoms but not the causes can be eliminated by spending money. The causes have far more to do with the way the money is spent--to make matters worse so far--and with legislation creating poverty.

L: Laws create poverty? Are you serious?

C: Consider unemployment. It also illustrates the singularity of each, and the relationship among the problems of poverty. Unemployed people can't find jobs--or, refuse to take those available (legally they are obliged to take them; but not, in practice).

L: You don't mean that the 30% of Negro adolescents at present unemployed--a rate double that of whites--simply don't want to work?

C: They do. But not at the jobs available to them--or at

pay available. Yet these are the only jobs for which they have enough skills.

L: Well, shouldn't we do something about these skills then?

C: Many are not capable, others are not willing to acquire skills. (Guaranteeing them an income certainly would not improve matters.)

L: What leads to this attitude?

C: Many things. The attitude will persist as long as they are made to feel that they have a "right" to better jobs than they have the skill for.

L: But, don't you think that they are kept out of better jobs by racial discrimination?

C: Certainly ~~at~~ some actually capable people are discriminated against--though not necessarily for racial reasons. I myself would hesitate, say, to employ an American Negro but not a Jamaican one. But discriminatory practices doubtlessly played a role in placing American Negroes into their present situation--and in making them the persons they are. This situation is being changed. But the internalized effects of the past will not disappear in this country. Meanwhile our problem is what to do with the presently unemployed

adolescents who are what they are. I think they would gain if they were employed according to their capacities. This, more than anything, will help them and make them want to acquire skills.

L: What would you do to employ them?

C: I would not make the government "the employer of last resort/" Nobody acquires decent work habits by working for the government.

There are private jobs that are not being filled. It is not true that unskilled workers cannot find employment. They can't find skilled employment. And many refuse to do unskilled work for the pay offered--which cannot be raised because they do not produce enough to permit higher pay. Have you ever looked for a handyman? or a Redcap at the airports? The work does not demand much skill. Nor does cleaning, or working as a waiter, or bellboy, or busboy or delivering; yet applicants are scarce--despite unemployment. Or, have you tried to find an office worker--from office boy to secretary--lately?

L: Now what would you do?

C: Again, I would--along the lines of the negative income tax--subsidize such persons--on condition that they accept jobs at market pay--or, if they show aptitude and inclination while they acquire skills.

L: It has been proposed that employers be subsidized to pay these underskilled and "undermotivated" (i.e. unreliable) employees "normal" wages.

C: That seems a complicated and unsatisfactory thing. They should get the wages the marketplace is willing to pay. If that keeps them poor, they, not the employer, should be subsidized--on condition that they accept the available jobs. At the same time, we ought to make available every opportunity to improve or acquire skills. But this will work only after people acquire work habits and get interested in better jobs.

L: Wouldn't unions dislike this"

C: I am not sure. But ~~Exempt~~ legislation is essential

- 1) to exempt any welfare client from contractually or legally fixed minimum wages--for many remain unemployed because they do not produce enough to make it worth the employers while to pay them that wage--yet, unless they can start working, they will never be worth any more to employers. And they will never acquire the habit of working.
- 2) I would make it legally possible for workers--or agencies on their behalf--to sue unions (as well as employers) for damages if they can show that they were kept

out of jobs for which they were qualified because they were not union members. Unions--like employers--will stop discriminating when it costs them money.

L: Isn't the government trying to do something about that--summer employment programs, for instance, or getting pledges from business to employ "unemployables?"

C: Yes, the government is wasting your money trying to absorb into jobs those who have become nearly unemployable because of the government's own activity--mainly its insistence on wages higher than these workers can earn on the market. These programs are, at best, effective as public relations.

L: But you said some won't take jobs at low wages which go begging--despite unemployment.

C: Yes, supplementary payments should be made conditional on the payees willingness to accept jobs at market wages.

L: With all these complications, I don't see why you won't accept Friedman's negative income tax.

C: Let me point out that what I propose is far less complicated than what we have now. Friedman, to be sure, is simpler still. But chances are that the negative income tax would not, as he proposes, take the place of all subsidies now given--from farm programs to aid to dependent

children--but be superimposed. The result would be undesirable.

I think the technique has merit where a) the person receiving a subsidy is employed or seeking employment, or b) cannot work. In these cases it is a simple way of giving subsidy and an incentive to earn--without bothering about specific (arbitrarily established) "needs," without snooping by social workers, with little bureaucracy and without reducing incentive to work.

But if you were to give that subsidy without establishing willingness to be employed, employment, or unemployability, you might end up subsidizing the hippies--persons willfully unemployed.

L: What's so bad about that? It might be cheaper to do so than to do all the checking otherwise required. Further, they will soon prefer to increase their earnings and go to work.

C: Perhaps so--now. But if the knowledge spreads that you can live without working at the expense of the community, and if the ideology which pronounces it somehow morally superior not to earn money also spreads, then the number of "hippies" will greatly increase and workers will have

to bear a heavy burden. The idle--who have the vote just as much as the working population--will insist on higher subsidies. The working population will want to throw out all welfare provisions. The government, to keep everybody's vote, will probably resort to inflation --and we will be in an Uruguyan or English mess.

L: So you reject the overall negative income tax--but want to use the technique for selected groups?

C: Right. Specifically for those willing to be employed at market wages, and for those who are incapacitated.

L: What about other evils connected with poverty such as slums, or bad education?

C: Neither of them is subject to overall solutions either. Those that have been tried--public housing, urban renewal--have made things worse.

Slums--deteriorated or overcrowded housing--might be improved by a variety of local activities--not by any Federal subsidy, which merely has created new slums. The whole housing problem is created by the government. Housing codes and protected union activity--including rejection of minority workers--make building so expensive that slums result.

Education--which is quite often terrible in our major cities--does not become better by spending more money. Nor have

programs such as Headstart helped. A wider use of the Montessori method might help. Better education of teachers--essentially getting them out of schools of education--might help. Privatization of the schools--such as Milton Friedman has proposed--might help. The widespread introduction of track systems might help. The abolition of many frills and the introduction of teaching might help.

L: Quite a program! And it seems rather slapdash.

C: Yes, it would require much more elaborate presentation. But I merely want to draw your attention to the fact that the needed changes are not financial nor overall measures but rather internal reforms.

L: Can I get you to summarize the proposals emerging from our meandering conversation?

C: O.K. My proposals are

- 1) making it easier for people a) to have fewer children (make contraceptives available) b) not to desert them (give subsidies not to dependent children but to families) c) to encourage and enable mothers to work (by incentive subsidies and arrangements for their children);
- 2) giving old or incapacitated people a block subsidy upon their declaration of (insufficient) income, reducing

the subsidy by their income from other sources, but, in such a way that they retain an incentive to earn it;

3) giving a block subsidy in similar ways to employed people who earn too little;

4) giving such a subsidy to other employable people who would earn too little on condition that they accept jobs at market wages;

5) introduce legislation to exempt categories of workers from contractual or legal union pay.

I would modify the "negative income tax" by adding to the income declaration the condition that employment must be sought and accepted by people not employed nor incapacitated, at market wages.

6) I would eliminate most of the present multitude of poverty programs and change the emphasis from helping the poor to become a pressure group extorting money from those who work to helping them to work themselves.

L: You have given all kinds of fancy reasons ^{for} rioting. And now you propose to reduce social measures such as welfare payments. Don't you realize that this is penny-wise and pound foolish? The more desperate the poor, the more they will ~~not~~ ^{not}. Poverty is the root cause of crime and of rioting.

C: Not so. But I would accept the converse: Rockefeller's ~~never~~ riots--wealth is the cause of not rioting. *he doesn't steal either; wealth is certainly a cause of not stealing lot of things!*

L: Aren't you admitting my point?

C: No. Water may extinguish fire ~~byxxxxx~~ but its absence is not the cause of fire: the poor riot sometimes--not always; and not all do. The rich never do. Thus wealth is the cause perhaps of not doing it--but poverty is not the cause of doing it.

L: What is ^{the} ~~the~~ ^{the} coming out of it?

C: ~~There are~~ ^{Basically} ~~two causes:~~ a) the fact that rioting actually has brought Federal benefits to the rioters and personal benefits (loot); b) that it enhances the status of the leaders and of all participants in their own eyes and in the eyes of those who admire them for "getting away" with it--and this permits them to discharge quite normal aggression and resentment with impunity by

*(at So-called...)
When as in England poverty has been nearly eliminated by welfare measures crime has been rising as fast as if there were no U.S. It is a good thing in itself to reduce poverty. But we will be quite disappointed if we expect a reduction of crime as an effect.*

What causes crime here? (the things after that point). The things wants of Anarchists?

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C: No. Water may extinguish fire ~~byxxxx~~ but its absence is not the cause of fire: the poor riot sometimes--not always; and not all do. The rich never do. Thus wealth is the cause perhaps of not doing it--but poverty is not the cause of doing it.

L: What is?

C: There are basically two causes: a) the fact that rioting actually has brought Federal benefits to the rioters and personal benefits (loot); b) that it enhances the status of the leaders and of all participants in their own eyes and in the eyes of those who admire them for "getting away" with it--and this permits them to discharge quite normal aggression and resentment with impunity by

by the most gratifying means: fighting, looting, killing, destroying and setting fire.

L: What is the remedy?

C: We can't make them all into Rockefellers. We could make them better off--as a start by changing laws that discourage people from earning money and engaging in work. But that and the necessary *reeducation* takes time.

L: Meanwhile?

C: Meanwhile we should stop financing and supporting riots.

L: Who does so?

C: Well, e.g., Major Lindsey who prevents the police from protecting property. Or has city employees *leading rioters*, and when ~~it~~ becomes too public, suspends them--for one week. The Federal Government has ~~acted~~ *acted similarly*

L: What about rioters

C: They will stop rioting as soon as it becomes sufficiently unrewarding and can no longer be done with impunity.

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Ernest W. La Hay

152

POVERTY AND WELFARE

I Can Poverty Be Eliminated?

L: It is a shame that a country as wealthy as ours --the wealthiest country in the world--allows so many people to live in misery.

C: Allows?

L: No, I don't mean the poor volunteer for poverty. They don't want to be poor. And we can and should help them to live better. We must solve the problem of poverty.

C: Don't we spend immense amounts of money doing just that?--more than was ever spent before by any ~~country~~ ^{country?}

L: Not enough; and ~~we~~ ^{we} spend ~~immense amounts~~ humiliatingly and bureaucratically. The poor are still there--worse off than ever in the midst of plenty. Nothing we do seems to help.

C: Well then why do you think spending more would?

L: What else? We must spend more, and in new ways.

C: One reason for ^{our} failure ^{may be} that ~~we have done just what you urge: when the old programs~~ ^{ever} ~~did not prove effective~~ ^{enough,} we ~~should have~~ ^{added} some new ^{ones} ~~ones~~, and spent ^{some} additional money.

~~unintentionally~~ ^{Yet} though there is plenty of fancy rhetoric--"wars" against poverty, etc.--no one ~~unintentionally~~ has even outlined what specifically ^{and (quantitatively)} is to be achieved.

The result ~~has been an increasing~~ ^{is a wasteful, ineffective} hodgepodge of overlapping local, state and Federal welfare programs.

They support a ^{resentful yet} steadily increasing welfare population and a bureaucracy increasing even faster. Paradoxically, the poor population is decreasing rapidly; but the welfare population is increasing even more rapidly.

L: Surely ^{The poor population is not decreasing?} the war on poverty is not that effective.

It was started because the ~~number of~~ poor ^{population was not decreasing.}

C: I doubt that: ~~But the size of the~~ the size of the group classified as poor has rapidly declined since the turn of the century.

L: Perhaps we were worse off in the 19th Century. But our problem is now. We have too many poor in the 20th Century.

C: "Too many" implies a comparison to some standard --either the past, or some ideal. Let me consider both. ~~unintentionally~~ If we follow the present definition of the Social Security Administration, and classify as poor all those families (defined as 4 persons, in urban areas) ~~examining~~

receiving (in dollars of 1964 purchasing power)* less than \$3130 a year (or in dollars of 1967 purchasing power, less than \$3300), we find that at the turn of the century nearly 90% of all families were "poor;" in 1920 about 50% (1/2) of the total population; in 1962 about 20% (1/5 of our population; in 1968 about 15-16% (1/6 of all families). In 1967, about 1%--5.3 million families out of 49.8 million. This is a remarkable--and wholly ignored--performance.

(Sampling informally, I found that about 1 college student in 200 knew about the decrease of poverty--clearly matched by an increase of concern but by no decrease of ignorance. One set of wrong notions was replaced by another equally unrealistic one.) It is a performance never equalled anywhere at any time. It is ignored by our intellectuals--perhaps because it was done, in the main, without government intervention--by the free market.

L: But what about the remaining 1% of our families who do not live on a decent scale?

C: If poverty were to decrease in the future at the same rate as in the past, there would be no poor left within 20 years.

* Other departments use (slightly) different figures; but the difference is negligible. ^{As} Of course, the poverty standard differs with circumstances: e.g. a single urban adult is "poor" if he has less than \$1540 (1964 purchasing power) annually.

L: Sounds good. Do you really believe it will happen?

C: No. Poverty will not disappear; and, unfortunately, it will decrease at a slower rate from now on because of two obstacles.

Poverty cannot disappear because the definition of "poor" is neither fixed nor objective. It is odd that liberals don't realize this. They believe there is an objective, absolute and fixed standard of "poverty" although they do not regard other moral ideas as fixed or objective--let alone absolute. They don't even realize that "poverty" is a moral idea. Yet "poverty" is a social evaluation of people's purchasing ability. The evaluation springs from the current middle class scale of living. Any family with an income by more than 2/3 below the average middle class income is "poor."* As middle class income rises so does the income that must be received if one is not to be poor. Hence, "the poor ye will always have with you" --by definition: "the poor" are those in the lowest segment of the income distribution. And there must always be a lowest segment unless everybody receives the same income--which is neither possible nor desirable. Unequal distributions necessarily have a highest group--"the rich"--and a lowest group--"the poor."

L: So we may not altogether eliminate poverty. Can nothing be done about it?

C: We can reduce the size of the "poor" group; and the degree of poverty they suffer--the gap between them and the lower middle class.

P.4 -- footnote:

* The median family income for all families in 1967 was about \$8000. Average middle class income depends on the definition of "middle class," but would be higher.

4 Which is what we have done. I already pointed out the amazing reduction of the proportion of poor people in the population. *It is difficult to measure the* ~~gap~~ gap between poor and non-poor at various times, ~~and the gap between the~~ Perhaps it is enough to know that the poorest 1% of our population live much better--command much more purchasing power--than 60% of the families in the Soviet Union--not to speak of China, or the "undeveloped" countries. Our poorest Negroes command about ten times as much purchasing power as the ¹⁷African contemporaries. (The average Negro commands as much as the average French or Italian worker.)

L: Well, money isn't everything.

C: Yes; a favored saying of the rich. It is good to see you pick it up. But we were talking about poverty: (lack of) money.

L: Why then are poor Negroes so unhappy if they are not that poor?

C: They don't ^{identify} compare themselves with Africans--despite all the fantasy talk--or Europeans. They compare themselves with white Americans. And they have less; which, understandably, they resent. Indeed, if there

are fewer poor, they resent their poverty more. They are ^{more} isolated, marginal, ^{more} "underprivileged"--(a marvelous word; ~~the population~~ ^{obviously} the population is divided into three groups: the under, the over, and--shall we say--the normally privileged) ^{more} left behind--and more unhappy than they might be if there were more of them.

L: Can we reduce the number of poor, and their poverty more than we have?

C: We can. But we cannot hope to make progress as fast as in the past. For one thing the "war against poverty" has created agencies and bureaucrats with a vested interest in the poor--they make their living and derive their power and status from the existence of the poor. They will not let their clientele disappear. ~~Some present~~ ^{Some present} poor have a symbiotic interest: ~~it~~ it pays more to be "poor" than to work. I do not know how important this antagonistic symbiosis is. But in the past no one had an interest in being poor and very few people could gain status, or make a living, by being poverty experts, or bureaucrats. Whereupon ~~poor~~ poverty rapidly diminished. Now we may get some ^{iatr} ~~iatr~~ogenic poverty.

More important than this, the poor who still are poor often are people--unlike those who were poor in the past--

whose poverty is not simply explained by remediable external conditions, such as unemployment or lack of skill. They are sometimes unemployable, ^{more} often hard to employ, because of physical and psychological defects; others are incapable of acquiring a skill or not "motivated" enough (i.e. unwilling) to do so. This is to be expected. Most of the mobile poor, those who simply lacked opportunities, no longer are poor. We are ^{now} at the bottom of the barrel. Many of the families still poor are not easy to help. They have characteristics which reduce employment and earning ability even when opportunity is present. Finally, unless you leave a sizeable difference between the income of the poor through welfare, and the income independently achieved by the non-poor, the latter not only will resent welfare measures --they may give up their efforts to make it on their own.

L: So you just would give up in turn?

C: No. I would urge programs that instead of encouraging dependency--poverty as a way of life--would encourage and help people to become independent--to earn their own living.

L: Can that be done? If so, why isn't it being done?

C: It cannot be done with all the poor. But certainly with many with whom no serious attempt is made today. In the past these people were kept dependent on welfare payments because of bureaucratic obstacles--which explain, but do not justify our failure. Now ideological obstacles have been added to justify public assistance as a way of life. The "war" on

poverty has largely turned out to be an attempt to organize the poor as such, to make them a permanent "class conscious" group--which is altogether inconsistent with helping them individually to overcome poverty. The whole philosophy of "the war" on poverty is, to put it mildly, absurd: 1) our government spends taxpayers' money to create pressure--even riots--against itself and the taxpayers; 2) not only are the poor organized by the government to blackmail it--they are also organized to remain poor. To organize means--almost by definition--to perpetuate a group. The government ^{does not so much} attempts ~~not~~ to make it easier for individuals to leave the group ~~but~~ rather, ^{it} ~~to make~~ membership less unattractive by giving members the means to exercise pressure on the community and the government to get higher assistance payments, various amenities, etc. The poor are ~~not so much~~ ^{few} given opportunities and ^{little} help to leave poverty behind--~~but~~ ^{in fact by way of} indugences, privileges and rights qua "the poor"--preeminently the right to blackmail.

II

How Poverty Can Be Reduced

L: In your view, what should we do instead?

C: Let me first give you an idea of who the poor are.

(Incidentally, despite all the research grants, too little is known about who is poor and why.)

According to government data and standards, there are (1967) about 5.3 million poor families (about 25.9 million poor persons); 25% of these have heads over 65 years old; 22% are headed by females. The remaining 50% of all poor families had employed family heads, who do not earn enough to get the family above the poverty line. One-third of all poor families are black (a much higher percentage of the black than of the white population).

One other point: 15% of all poor families ha^{ve} five or more children; 40% of all poor persons are under 18 years of age.

In the light of these data, a satisfactory welfare system must attempt three things which are not always easy to reconcile with each other. But the present system functions so as to defeat each of these goals. The "war on poverty" has created an ideology out of this failure--and now ~~has~~

~~developed into~~ failure of this ideology ^{has led to perpetuation}
highly

1) We must provide in the simplest way--with the least administrative cost--for those who cannot provide for

themselves and are unlikely ever to be able to--while yet trying to encourage them to do what they can to earn money. Above all, ~~however~~, we must try to reduce the number of people in this permanently dependent class.

2) We must persuade poor families ~~at least~~ not to have more children than rich families do, a) by making contraception easier for them, b) by making it more rewarding to have fewer children and less rewarding to have more.

3) We must help those who work but earn less than they need to go above the poverty level to earn more by a) up-grading their skills; and giving them better opportunities; b) subsidizing them meanwhile in such a way as to encourage them to continue to earn and to increase their earnings. At present, higher earnings--often any earnings--are penalized by ~~tax~~ deduction from ~~the~~ the welfare subsidy of these earnings--sometimes by deductions greater than the ~~the~~ earnings. This means that people who can work, but cannot earn much, do better not working. They are helped more if they give up than if they keep trying.

L: The principles are fine. But what do you propose concretely? What will you do about slums, low wages, no jobs, no skills, too many children, too little education,

destitute old age? Do you propose a guaranteed annual income? a negative income tax? The government as employer of last resort? Subsidies for businesses to employ "unemployables"?

C: Different groups need different kinds of help. Traffic accidents certainly require hospitals for victims. But road design, traffic laws, and enforcement are no less important. With regard to poverty, the emphasis seems to be on bigger and better hospitals, on organization of patients, etc. Little attention is paid to what gets people into them and out again.

L: O.K. You are interested in reducing the number of victims. I'm sure they do not volunteer. What do you propose.?

C: Well, let me start with the group regarded as least promising: families headed by people over 65. Here Milton Friedman's "negative income tax"--a subsidy that decreases with higher income in such a way as not to impair the incentive to earn the higher income--would be appropriate. This subsidy would be given on the mere income and age declaration of the recipient. (Some cases would be investigated as some positive income declarations

to those who have less than the minimum income

for

are. But not all.) This would greatly simplify administration.

The main emergency help elderly people need in addition to regular welfare payments is for medical expenses. These are now taken care of by Medicare. Hence I would give this group a subsidy in the form of a negative income tax--nothing less and nothing more. No schedule of allowances for this and that. A block subsidy in a form that encourages private earnings and in an amount that makes these desirable, but not indispensable. We could do without ~~home~~ visits ^{to or} by social workers, ~~and~~ ~~the~~ ~~work~~ ~~of~~ ~~the~~ ~~social~~ ~~workers~~. Counseling can be done by available private institutions.

E: What about emergencies or special cases?

G: Private charity in the past carried the total burden. I think it is able to help in special cases, and can do so much better than the government. Let me repeat: no schedule of allowances. The negative income tax--i.e. a block subsidy--plus what Medicare, pensions, etc. are already provided.

L: You assume that people over 65 are unlikely to earn money by working?

C: No; they are less likely to be employable than people under 65, but many people in this age bracket can and will work, at least part time. The negative income tax would not reduce incentive.

However, something else does. Elderly people often cannot work as well or as steadily as younger people. Therefore employers will not hire them--at least not at the same wage they pay younger people. Hence, they remain unemployed. They would be much more employable if employers were allowed to pay them less than they pay more productive workers. This problem can be solved only if by law a) union contracts must permit the hiring of people over 65 at non-union wages; b) minimum wage laws exempt people over 65 (as well as, for similar reasons, people under 20. (I should exempt everybody--together with all leading economists, I regard minimum wages as political quackery helpful to demagogues, harmful to those allegedly benefitted. But each exemption is a step forward. And these are the most essential ones.)

L: ~~minimum wages~~ ^{The old might} then get very low wages; while employers would get high profits from exploiting them. This may even impair the wages now paid to people under 65.

C: I think these fears are groundless. To be sure, wages for less productive workers would be lower. But a low

*compliments
of new friends
of labor
patrons*

wage is better than none. And employers would not pay the wages they pay more productive workers. Setting the wage higher than the productivity of these workers warrants--as seen by employers who do the hiring--means simply that they won't be hired. *(This is what now happens to Negro adolescents)* The negative income tax would supplement their income which thus would be higher than without working. If the wage seems too low to the employables in question, they won't accept it. They would get a higher subsidy then--but still *have less altogether* ~~than~~ than they would get if they are employed. Right now they do not have this choice. They simply are compelled to remain unemployed.

Employers will not profit excessively. If the hiring of old people proves profitable, their wages will go up--others will want to hire them too, until the extra profit disappears. Nor will younger workers suffer. If they are more productive than older workers, employers still will be willing to pay them higher wages, and will have to do so, as they compete for these workers.

L: I don't think the unions will like this anyway.

C: Probably not. They seldom like anything new. I'd be writing by candlelight if we had depended on them. But it won't harm them and they can live with it. Old people should

not be discarded from the productive process and compelled to retire into inactivity and poverty. They should be allowed and encouraged to work and earn to the extent of their inclination and ability--a privilege now given only independent entrepreneurs and professionals, and withheld from workers and employees, ^{and} largely by their own unions. And let me assure you, no "make work" psychologically takes the place of actual work through normal employment processes.

L: O.K., let's go on to the next group: female family heads, many with five or more children, ~~most of them~~ ~~deserted by the fathers.~~

C: Such families are usually poor because the father has deserted and does not ~~contribute~~ ^{them} support and the mother has to take care of the children and, therefore, can earn only very little money if any. We need answers to two questions: a) what can be done to improve the lot of these families; b) what can be done to discourage other men from deserting and women from being left ^{with} ~~many~~ ^{hard} children.

L: Well, do you intend to punish them for bringing children into the world whom they cannot support?

C: If conception were deliberate, or even merely inadvertent, a case for punishment could be made; but it

would be hard to inflict any punishment without also punishing the children; which would be unjust. A case for punishing the deserters also could be made. But they are hard to catch and the evils created might be worse than those punished.

Most of the women in question do not have their children deliberately. Some ~~didn't~~ didn't know how to avoid conception; some didn't have the means to do so; some, finally, neglected precautions. Very few were deliberate.

The first thing to do, therefore, is to inform them. All nubile female welfare clients should be given complete contraceptive information. Secondly, contraceptives should be available for a nominal charge to all ~~welfare~~ welfare clients. ~~Thirdly, they should be~~ Thirdly, they should be impressed with the disadvantages--for all concerned--of having children without having established a stable union with the father. I think these measures together would greatly reduce the number of families headed by females and the number of children per family. The remaining families without male breadwinners and with many children would be either families in which the breadwinner disappeared for unforeseeable reasons, such as death or illness; or families created by a mother who deliberately had them,

counting on the community to support her children and her. There is not much we can do about the first case except try to take care of the bereft family. As for those who deliberately bring children into the world for whom they cannot provide, I think ways can be found to discourage this--without harming the children.

L: Really? Why isn't it done?

C: ~~There is no point~~ ^{little} there is ~~no~~ point worrying about this until we know how much of the problem will disappear once we make information and contraceptive devices easily and fully available.

L: Wouldn't that involve costly medical examinations?

C: They certainly would be less costly than children. Contraceptive loops indeed have to be inserted by physicians. And only physicians can sterilize. But there is no medical reason for classifying contraceptive pills as prescription drugs except to increase the income of physicians.*

L: Aren't there possible dangers and contra-indications?

* New York State recently ~~legislated that~~ ^{legislated that} ~~laboratories~~ ^{cannot} ~~test~~ ^{test} urine specimen for pregnancy or ~~disclose~~ ^{disclose} results ~~through a physician.~~ ^{except} through a physician. Guess why? ^{Ad guess} ~~What~~ ^{What} the individual costs of this ~~major~~ ^{major} contribution to the income of physicians will be!

C: There are. And they might be mentioned on the label. But the dangers are few and less acute than those threatening if a person who should not, eats sugar. Yet we have not made sugar a prescription drug, nor do we even label it ~~as~~ "dangerous for diabetics."

L: What would you do with those families who already ~~are~~ ^{have} ~~in existence~~ with many children and no father? ~~present?~~

C: Often the father is absent because he could not earn enough to offset the welfare payments that stop with his presence. Sometimes--when there are many children--these welfare payments exceed what he can earn. These payments should not depend on the absence of a breadwinner. They should supplement the ~~family~~ income. *he can earn.**

As for families actually without a male breadwinner, we must give mothers an incentive, and the opportunity, to work. The incentive can be provided by ~~not reducing subsidies~~ ^{than} ~~by as much as~~ the income earned, by reducing welfare payments much less, so as to leave a considerable net increase of income, if the mother works.

At present work would reduce her income - by might even less than her share of welfare payments.

* I should also favor an economic incentive for families to stay together--the opposite of what is now done. But this cannot be elaborated here.

L: But how can the mother leave her children? To hire someone to take care of them would cost as much as she can earn.

C: Once the youngest child has reached the age of three --even before-- it is possible to entrust ~~the~~ care to someone else than the mother during the day. Even before, babysitters may set mothers free for part of the day.

Some mothers could be provided with a little instruction --very little is needed-- and with rented space. They could be hired then, to take care of a ~~number of~~ ^{the} children of other mothers who thus would be freed to work. *This may be combined with some elementary instruction of the children.*

L: This seems simple and feasible. Why ~~isn't~~ isn't it done?

C: I'm tempted to say because it is simple and feasible. In effect, our welfare bureaucracy likes the old ways. And things like "headstart" as far as the evidence goes useless ~~is~~ but more pretentious and costly, are therefore preferred.

L: What can you do about that?

C: A lot. One could require that employable mothers accept jobs and classify them as employable unless there are special circumstances which prevent them from working. However, given incentives, encouragement and opportunities, most women in that situation would prefer to work--if their children are taken care of, and if their net income is

increased thereby. Therefore, let's see how far we can go by making work attractive before worrying about people who might prefer to be supported by welfare payments.

Certainly a program to hire welfare mothers to take care of the children of others who are out working or to baby sit, would easily pay for itself *(if it is done informally, locally, at without bureaucratic pills)*

L: Well, that takes care of the elderly and the mothers --about one-half of the poor, and an even greater proportion of the welfare population. What about the remaining half--families with a working father unable to raise the family above the poverty line?

C: Here, too, I believe that something like the negative income tax--subsidies to supplement earnings would be best. As earnings increase, such subsidies should diminish finally to zero, but in such a way that there remains a significant net advantage in adding to earnings at all times.

L: Certainly this would be better than the present system. Yet I feel it does not go to the root of the matter. Why do these people earn so little? Why are so many of them unemployed?

C: I do not believe that there is an overall ^{cause or} solution. Some have low skills; some have big families; some are unproductive; some are not allowed to work where they could (or to acquire skills) by unions and by employers who do their bidding.

L: Why could we not have a system that makes sure that everybody has a minimum decent income? Why do you insist on the piecemeal measures you have outlined, and which --regardless of their merits--do not solve the problem of poverty, of slums, of unemployment, of inferior education?

C: Because there is a "problem of poverty" only in the sense that there are poor people. As soon as you ask: why? you find many problems. The symptoms but not the causes can be eliminated by spending money. The causes have far more to do with the way the money is spent--to make matters worse so far--and with legislation creating poverty.

L: Laws create poverty? Are you serious?

C: Consider unemployment. It also illustrates the singularity of each, and the relationship among the problems of poverty. Unemployed people can't find jobs--or, refuse to take those available (legally they are obliged to take them; but not, in practice).

L: You don't mean that the 30% of Negro adolescents at present unemployed--a rate ^{more than} double that of whites--simply don't want to work?

C: They do. But not at the jobs available to them--or at

pay available. Yet these are the only jobs for which they have enough skills.

L: Well, shouldn't we do something about these skills then?

C: Many are not capable, others are not willing to acquire skills. *Guaranteeing them an income certainly would not improve matters.*

L: What leads to this attitude?

C: Many things. The attitude will persist as long as they are made to feel that they have a "right" to better jobs than they have the skill for.

L: But, don't you think that they are kept out of better jobs by racial discrimination?

C: Certainly ~~it~~ some actually capable people are discriminated against--though not necessarily for racial reasons. ~~And~~
~~And~~ *And* discriminatory practices doubtlessly played a role in placing American Negroes into their present situation--and in making them the persons they are. This situation is being changed. But the internalized effects of the past will not disappear in this *century*. Meanwhile our problem is what to do with the presently unemployed

adolescents who are what they are. I think they would gain if they were employed according to their ^{present} capacities. This, more than anything, will help them and make them want to acquire skills.

L: What would you do to employ them?

C: I would not make the government "the employer of last resort/" Nobody acquires decent work habits by working for the government.

There are private jobs that are not being filled. It is not true that unskilled workers cannot find employment. They can't find skilled employment. And many refuse to do unskilled work for the pay offered--which cannot be raised because they do not produce enough to permit higher pay. Have you ever looked for a handyman? or a Redcap at the airports? The work does not demand much skill. Nor does cleaning, or working as a waiter, or bellboy, ^{a parking lot attendant or} or busboy or ^{ry boy} ~~delivered~~: yet applicants are scarce--despite unemployment. Or, have you tried to find an office worker--from office boy to secretary--lately?

L: So what would you do?

C: Again, I would--along the lines of the negative income tax--subsidize such persons--on condition that they accept jobs at market pay ~~if they show aptitude and inclination,~~ ^{I would help them to} ~~acquire skills~~ ^{acquire skills} ~~at the same time.~~ ^{at the same time.}

L: It has been proposed that employers be subsidized to pay these underskilled and "undermotivated" (i.e. unreliable) employees "normal" wages.

C: That seems a complicated and unsatisfactory thing. They should get the wages the marketplace is willing to pay. If that keeps them poor, they, not the employer, should be subsidized--on condition that they accept the available jobs. At the same time, we ought to make available every opportunity to improve or acquire skills. But this will work only ~~if~~^{as} people acquire work habits and get interested in better jobs.

L: Wouldn't unions dislike this"

C: I am not sure. But ~~fixing~~ legislation is essential

- 1) to exempt any welfare client from contractually or legally fixed minimum wages--for many remain unemployed because they do not produce enough to make it worth the employers while to pay them that wage--yet, unless they can start working, they will never be worth any more to employers. And they will never acquire the habit of working.
- 2) I would make it legally possible for workers--or agencies on their behalf--to sue unions (as well as employers) for damages if they can show that they were kept

out of jobs for which they were qualified because they were not union members. Unions--like employers--will stop discriminating when it costs them money.

L: Isn't the government trying to do something about that--summer employment programs, for instance, or getting pledges from business to employ "unemployables?"

C: Yes, the government is wasting ~~money~~ money trying to absorb into jobs those who have become nearly unemployable because of the government's own activity--mainly its insistence on wages higher than these workers can earn on the market ^{and its protection of restrictive union practices.} These programs are, at best, effective as public relations.

L: But you said some won't take jobs at low wages which go begging--despite unemployment.

C: Yes, supplementary payments should be made conditional on the payees willingness to accept jobs at market wages.

L: With all these complications, I don't see why you won't accept Friedman's negative income tax.

C: Let me point out that what I propose is far less complicated than what we have now. Friedman, to be sure, is simpler still. But chances are that the negative income tax would not, as he proposes, take the place of all subsidies now given--from farm programs to aid to dependent

It should take the place of the myriad costly and ineffective programs -- Job Corps, parent projects, etc. -- we have now.

children--but be superimposed. The result would be undesirable.

I think the technique has merit where a) the person receiving a subsidy is employed or seeking employment, or b) cannot work. In these cases it is a simple way of giving^a subsidy ~~without bothering about specific (arbitrarily established) "needs,"~~ without bothering about specific (arbitrarily established) "needs," without snooping by social workers, with little bureaucracy, and without reducing^{the} incentive to work.

But if you were to give that subsidy without establishing willingness to be employed, ~~or unemployability,~~ or unemployability, you might end up subsidizing the hippies persons willfully unemployed, such as

L: What's so bad about that? It might be cheaper to do so than to do all the checking otherwise required. Further, they will soon prefer to increase their earnings and go to work.

C: Perhaps so--now. But if the knowledge spreads that you can live without working, at the expense of the community, and if the ideology which pronounces it somehow morally superior not to earn money also spreads, then the number of "hippies" will greatly increase and ^{employed} workers will have

to bear a heavy burden. The idle--who have the vote just as much as the working population--will insist on higher subsidies. The working population will want to throw out all welfare provisions. The government, to keep everybody's vote, will probably resort to inflation --and we will be in an Uruguyan or English mess.

L: So you reject the overall negative income tax--but want to use the technique for selected groups?

C: Right. Specifically for those willing to be employed at market wages, and for those who are incapacitated.

L: What about other evils connected with poverty such as slums, or bad education?

C: Neither of them is subject to overall solutions either. Those that have been tried--public housing, urban renewal--have made things worse.

Slums--deteriorated or overcrowded housing--might be improved by a variety of local activities--not by any Federal subsidy, which merely has created new slums. The whole housing problem is created by the government. Housing codes and protected union activity--including rejection of minority workers--make building so expensive that slums result.

Education--which is quite often terrible in our major cities--does not become better by spending more money. Nor have

programs such as Headstart helped. A wider use of the Montessori method might help. Better education of teachers--essentially getting them out of schools of education--might help. Privatization of the schools--such as Milton Friedman has proposed--might help. The widespread introduction of "track" systems might help. The abolition of many frills and the introduction of teaching might help.

L: Quite a program! And it seems rather slapdash.

C: Yes, it would require much more elaborate presentation. But I merely want to draw your attention to the fact that the needed changes are not financial nor overall measures but rather internal reforms.

L: Can I get you to summarize the proposals emerging from our meandering conversation?

C: O.K. My proposals are

- 1) making it easier for people a) to have fewer children (make contraceptives available) b) not to desert them (give subsidies not to dependent children but to families) c) to encourage and enable mothers to work (by incentive subsidies and arrangements for their children);
- 2) giving old or incapacitated people a block subsidy upon their declaration of (insufficient) income, reducing

the subsidy in proportion to their income from other sources, in such a way that they retain an incentive to earn it;

3) giving a block subsidy in similar ways to employed people who earn too little;

4) giving such a subsidy to idle but employable people who would earn too little on condition that they accept jobs at market wages;

5) introduce legislation to exempt categories of workers from contractual or legal union pay.

I would modify the "negative income tax" by adding to the income declaration the condition that employment must be sought and accepted by people not employed nor incapacitated, at market wages.

6) I would eliminate most of the present multitude of poverty programs and change the emphasis from helping the poor to become a pressure group extorting money from those who work, to helping them to work themselves.

My proposals will not solve all problems. But they will improve the situation for all concerned--the poor, the welfare clients, the unemployed, the taxpayers and the children.

Poverty + Welfare

L: It is a shame that a country as wealthy as ours
--the most affluent country in the world--allows so
many people to live in misery--in the midst of plenty.

C: Allows?

L: No, I don't mean the poor volunteer for poverty.
They don't want to be poor. We should help them to
live better.

C: Don't we spend immense unprecedented amounts of
money doing just that?

L: Not enough; and we spend it badly--wastefully,
humiliatingly, bureaucratically--it does not seem to help.

C: Well then why do you think spending more would?

One reason for our failure is that we have done just what

L: Perhaps we were worse off in the 19th Century.

But our problem is now. And we have too many poor.

C: Too many is always a comparison to some standard

--either the past, or some ideal. Let me consider both

standards. If we follow the present definition of the

Social Security Administration and classify as poor

all those families (4 persons, in urban areas) earning

less than \$3130 a year, a \$ of 1964 purchasing power

(other dependents has different figures; but the

difference is negligible. Of course the standard is

adapted to circumstances, a single urban adult is

regarded as poor when he earns less than \$1540 annually)

we find that nearly 90% of all families were poor the

turn of the century; in 1920 about 50%~~xxxxxxxxxxxxxxxxxxxx~~

(1/2); in 1962 about 20% (1/5); now in 1968 about 15-16%

(1/6). This seems to me a remarkable performance of the

Free Market system. AND it was accomplished despite--or possibly because?--there was no "war on poverty".

Indeed, if poverty were to decrease in the future at the same as in the past, within 20 years there will be no poor left.

L: Sounds good. Do you really believe so?

C: No. There are two obstacles which lead me to believe poverty will decrease at a slower rate. First, the definition of "poor" is neither fixed nor objective; it is always based on the current middle class scale of living. Any family with an income by more than 2/3 below the average middle class income is "poor". As middle class incomes rises so does the income that must be to be poor. Hence "the poor^{you} will always have with you" simply because "the poor" are defined as those in the lowest segment of the ~~xi~~ income distribution

curve. And there must always be some of the lowest segment unless we make the income distribution equal which is neither possible nor desirable. All unequal distributions have a highest group--the rich--and a lowest group--the poor.

L: So we may not altogether eliminate poverty. But we can reduce the size of the poor group and the degree of poverty they suffer--the gap between them and the lower middle class.

C: Yes. That is what we have done. I already pointed out the reduction of the proportion of poor people in the population. The comparative gap between poor and non-poor at various times involves complex measurement. Perhaps it is enough to know that the poorest 15% of our population live better than 60% of the Soviet Union population--not to speak of Chinese.

L: Can we reduce the number of poor, and their poverty more than we have?

C: Yes. But we cannot hope that in the future progress will be as fast as in the past. The "war against poverty" has created agencies and bureaucrats with a vested interest in the poor--they make their living and derive their power and status from the existence of the poor. They will not let their clientele disappear. Those who are now poor have a symbiotic interest. I do not know how important this common interest is. But in the past no one was interested in being poor and very few people could gain status, or make a living by ~~xxxx~~ being poverty experts or workers.

Apart from this, the poor who still are poor often are people--unlike those who were poor in the past--whose poverty is not simply explained by remediable external

conditions, such as unemployment or lack of skill.

They are often unemployable because of physical and psychological defects, or incapable of acquiring a skill or not motivated enough to do so.

L: So you just would give up?

C: No. I would urge a welfare program that instead of catering to dependency would strongly encourage people to become independent--to earn their own living.

L: Can that be done? If so why isn't it being done?

C: It cannot be done with all the poor. But certainly with many with whom no serious attempt is made today--because of all kinds of bureaucratic obstacles, which explain but do not justify our failure.

L: All right, let's see then what should be done in your view.

C: Let me first give you an idea of who the poor are.

Incidentally, despite all the research, too little is known about who is poor and why.

Using government data and standards, we find about 6 million poor families (about 34 million persons); 25% of the poor families have heads over 65 years old; 22% had female heads. The remaining nearly 55% of all poor families had employed family heads.

One other point: 15% of all poor families had five or more children.

In the light of these data, it seems to me that a satisfactory welfare system must do at least four things, which are not always easy to reconcile with each other.

But the present system accomplishes none of these.

1) We must provide in the simplest way--with the least

administrative cost--for those who cannot provide for themselves and are unlikely ever to be able to--while yet trying to encourage them to do what they can to earn money. Above all, we must try to reduce the number of people in this permanently dependent class.

2) We must persuade poor families not to have more children than rich families do, a) by making contraception easier for them, b) by making it more rewarding to have fewer children and less rewarding to have more.

3) We must help those who work but earn less than they need to go above the poverty level to earn more by a) up-grading their skills, b) subsidizing them meanwhile, in such a way as to encourage them to continue to earn and to increase their earnings. At present, higher earnings often are penalized by a reduction of the subsidy equal to the added earnings--sometimes even greater:

needles to say this penalizes the incentive to earn money.

4) There are poor people--some receiving and others not receiving welfare benefits--who could earn some income by working. They are often discouraged by legislation from working. These people can be encouraged both by incentive --subsidies and by legislation to make it possible for them to obtain jobs.

L: This sounds fine but quite abstract. What do you propose? What will you do about low wages, no jobs, no skills, too many children, destitute, old age. Do you propose a guaranteed annual income: a negative income tax?

C: Different groups need different things to overcome poverty. That is why these abstract distinctions are needed.

We can now turn to specific measures for each group.

L: O.K. let's start.

C: First consider families headed by people over 65.

Here Milton Fineman's "negative income tax"--a subsidy that decreases with higher income in such a way as not to ~~impose~~ ~~the~~ impair the incentive to earn the higher income--would be appropriate.

This subsidy would be given on the mere income and age declaration of the recipient--some cases would be investigated as some positive income declarations are. But not all.

This would greatly simplify administration. The main emergency help elderly ~~sp~~ people needed in addition to regular welfare payments is for medical expenses. These are now taken care of by Medicare. Hence I would give this group a subsidy in the form of a negative income tax--nothing less and nothing more. No schedule of allowances for this and that. A block subsidy in a form that encourages private earnings and in an amount that makes these desirable, but not indispensable.

As time goes on, more and more people over 65 will be covered by social security--which should be raised so that most persons ~~xx~~ can live on it.

L: What about emergencies or special cases?

C: Private charity in the past carried the

I think it is able to help in special cases, and can do so much better than the government. Let me repeat: no schedule of allowances. The negative income tax--i.e. a block subsidy--plus what Medicare, pensions, etc. are already provided.

L: You assume that people over 65 are unlikely to earn money by nothing?

C: No; they are less likely to be employable than people under 65, but many people in this age bracket can and will work, at least parttime. The negative income tax would not reduce incentive. However something else does. Elderly

people find it hard to be employed--often they cannot work as well ~~as~~ or steadily as younger people. Therefore employers will not hire them--at least not at the same wage they pay younger people. Hence, they remain unemployed. They would be much more employable if employers were allowed to pay them less than they pay more productive workers. This problem can be solved only if by law

a) union contracts must permit the ~~fixing~~ hiring of people over 65 at non-union wages; b) minimum wage laws exempt people over 65.

L: But they would then get very low wages; while employers would get high profits from exploiting them. This may even impair the wages now paid to people under 65.

C: I think all these fears are groundless. To be sure, wages may be low. But a low wage is better than none. And employers would not pay higher wages--setting the wage higher

than the productivity of these workers warrants means simply that they won't be hired. The negative income tax --the subsidy would supplement income which this would be higher than before. If the wage seems too low to the employables in question, they won't accept it. Right now they do not have this choice. They simply remain unemployed. Nor will employers profit excessively. If the hiring of old people proves profitable, their wage will go up--others will want to hire them too, until the extra profit disappears. Finally, if younger workers are more productive ~~in~~ then older employers will be willing to pay them higher wages, and will have to do so, as they compete for these workers.

L: Still I don't think the unions will like this.

C: Probably not. They never like anything new. But it won't harm them and they will live with it. Unions should not

legislate--and be allowed to injure the old. Meanwhile, old ~~up~~ people should not be discarded from the productive process and compelled to retire into poverty. They should be allowed to work and earn to the extent of their inclination and ability--a privilege now given only independent entrepreneurs and professionals and withheld from workers and employees.

L: O.K., let's go on to the next group: female family heads, many with five or more children, most of them deserted by the fathers.

C: Such families are usually poor because the father does not contribute his earnings and the mother has to take care of the children and, therefore, can earn only very little money. We need answers to two questions: a) what can be done to improve the lot of these families; b) what can be done to discourage other women from becoming female family

heads with many children, and those who already are, from having more children.

L: Well, do you intend to punish them for ~~having children~~ bringing children into the world whom they cannot support?

C: If the act were ~~deliberate~~ or even merely neglectful a case for punishment could be made; but it would be hard to inflict any punishment without also punishing the children, which would be unjust.

I do not think, however, that most of the women in question have their children deliberately. They didn't know how to avoid conception; some didn't have the means to do so; some, finally, were neglectful of precautions. Very few were deliberate.

The first thing to do, therefore, is to make contraceptive information available. All ~~these~~ ^{nubile} female welfare clients must be given complete contraceptive information. Secondly,

contraceptive means should be made available for a nominal charge to all welfare clients for the asking. I think these two measures together would greatly reduce the number of families headed by females and the number of children per family. The remaining families without male breadwinners and with many children would be either families in which the breadwinner disappeared for unforeseeable reasons, such as death or illness; or families created by a mother who refused to use contraceptives feeling that the community would have to support her children and here. There is not much we can do about the first case except try to take care of the bereft family. As for those who deliberately bring children into the world for whom they cannot provide, I think ways can be found to discourage this --without harming the children.

L: Really? Why isn't it done?

C: I do not think that there is much point trying to do anything about this problem until we know how much of the problem will disappear once we make contraceptive information and contraceptive devices more easily and fully available.

L: Wouldn't that involve costly medical examinations?

C: They certainly would be less costly than children.

Contraceptive loops indeed have to be inserted by physicians. And only physicians can sterilize. But there is no medical reason for classifying contraceptive pills as prescription drugs. The only reason is economic: it increases the income of physicians to do so.

L: Aren't there possible dangers and contra indications?

C: There are. And they might be mentioned on the label.

But the dangers are few and less acute than those threatening if a person who should not eat sugar. Yet we have not made

sugar a prescription drug, nor do we ever label it as dangerous for diabetics.

L: What would you do with those families who already are in existence with many children and no father present.

C: Often the father is absent because he could not earn enough to offset the welfare payments that stop with his presence. These payments should not depend on the absence of a breadwinner. They should supplement the family income.

As for families actually without a male breadwinner, we must give mothers an incentive and the opportunity to work.

The incentive can be provided by not reducing subsidies by as much as the income earned--by reducing welfare payments much less, so as to leave a considerable net increase of income, if the mother works.

L: But how can the mother leave her children? To hire someone to take care of them would cost as much as she can earn.

C: Once the youngest child has reached the age of three --even before--it is possible to entrust his care to someone else than the mother during the day.

For instance, some mothers could be provided with a little instruction--very little is needed--and with rented space, they could be hired then to take care of a number of children of other mothers who thus would be freed to work.

L: This seems simple and feasible. Why isn't it done?

C: I'm tempted to say because it is simple and feasible.

In effect, our welfare bureaucracy likes the old ways.

L: What can you do about that?

C: A lot. One could require that employable mothers accept jobs and classify them as employable unless there are special

circumstances which prevent them from working. However, given incentives, encouragement and opportunities, most women in that situation would prefer to work--if their children are taken care of and if their net income is increased thereby. I would much prefer to see how far we can go by making work attractive before considering what might be done about those who actually prefer to be supported by welfare payments.

L: Well, that takes care of the elderly and the mothers --about one-half of the poor, and an even greater proportion of the welfare population. Nothing much can be done about old age. But I agree with you that work should be made possible and attractive to the elderly--and that it should be made easier for women to avoid conception and to work. What about the remaining half of the poor families--families with a working father who cannot earn enough to bring the family above the poverty line?

C: Here, too, I believe that something like the negative income tax--subsidies to supplement earnings would be best. As earnings increase, such subsidies should diminish finally to zero, but in such a way that there remains a significant net advantage in adding to earnings at all times.

L: Certainly this would be better than the present system. Yet I feel it does not go to the root of the matter. Why do these people earn so little? Why are so many of them unemployed?

C: I do not believe that there is an overall solution.

L: Why not? Why could we not have a system that makes sure that everybody has a minimum decent income? Who do you insist on the piecemeal measures you have outlined, and which--regardless of their merits--do not solve the problem of poverty, of slums, of unemployment, of inferior education?

C: I think any overall attack--is likely to make these matters worse. We can abolish the present hodgepodge in favor of the reforms I have outlined. But I do not believe in panaceas.

You mentioned unemployment. People are unemployed if they can't find jobs--ir, if they refuse to take those available.

L: You don't mean that the 30% of Negroes adolescents at present unemployed--a rate double that whites--simply don't want to work?

C: Many of them are unwilling to accept the jobs and the pay available. Yet these are the only jobs for which they have enough skills.

L: Well, shouldn't we do something about these skills then?

C: Many are not capable, others are not willing to acquire skills. Guaranteeing them an income would certainly not improve matters.

SL: But, don't you think that they are kept from working by racial discrimination?

D: Certainly discriminatory practices played a role in placing them in the situation in which they find themselves --and in making them the persons they are. We are in the process of changing that. Meanwhile, our problem is what to do with the presently unemployed adolescents, who are what they are. I think they would gain if they were employed--whatever the job.

L: What would you do?

C: I would not make the government "the employer of last resort". Nobody acquires decent work habits by working for the government. There are private jobs that are not being

filled. It is not true that unskilled workers cannot find employment. They refuse to work for the pay offered--which cannot be raised because they do not produce enough to permit higher pay.

L: So what would you do?

C: Again, I would--along the lines of the negative income tax--subsidize such persons--on condition that they accept jobs at market pay--or alternatively show aptitude and inclination to acquire skills.

L: It has ~~xxxx~~ been proposed that employers be subsidized to pay these ~~xxxxxxxxxxxx~~ underskilled and "undermotivated" (i.e. unreliable) employees "normal" wages.

C: That seems a complicated and unsatisfactory thing. They should get their wages the marketplace is willing to pay. If that keeps them poor, they, not the employer, should be subsidized--on condition that they accept the available jobs.

At the same time, we ought to make available every opportunity to improve or acquire skills. But this will work only after people acquire work habits and get interested in better jobs.

L: Wouldn't unions dislike this?

C: I am not sure. But I would certainly want legal reforms that would affect the situation:

- 1) I would exempt by law any welfare client from contractually or legally fixed minimum wages--for many remain unemployed because they do not produce enough to make it worth the employers while to pay them that wage --yet, unless they can start working, they will never be worth anymore to any employer. And they will never acquire the habit of working.
- 2) I would make it legally possible for workers--or agencies on their behalf--to sue unions for damages, if they can show that the union kept them out of jobs for which they

were qualifed because they were not members. Unions--like employers--will stop discriminating when it costs them money.

L: Isn't the government trying to do something about that -- employment programs, for instance, or getting pledges from to employ "unemployables."

C: Yes, the government is wasting your money by trying to absorb into jobs those who have become nearly unemployable because of the government's own activity--mainly its insistence on wages higher than these workers can earn on the market.

L: But how can they live on the low wages which they --rightly--disdain?

C: If they can't, then, once more supplementary payments --via the negative income tax--are called for. But this is no use in insisting that they be paid wages in excess of what they can produce. All this leads to is that they won't be hired.

L: But you said some won't take jobs at low wages which go begging--despite unemployment.

C: Yes, supplementary payments should be made conditional on the payees willingness to accept jobs at market wages.

L: With all these complications, I don't see why you won't accept Friedman's negative income tax.

C: Let me point out that what I propose is far less complicated than what we have now. Friedman, to be sure, is simple--if his proposal were accepted as he made it. But chances are that the negative income tax would not, as he proposes, take the place of all subsidies now given--from farm programs to aid to dependent children--but be superimposed. The result would be undesirable.

I think the technique has merit where a) the person receiving a subsidy is employed or seeking employment, or b) cannot work. In these cases it is a simple way of giving subsidy and

an incentive to earn--without about specific
(arbitrarily established) "needs", without snooping by
social workers, without much bureaucracy and without reducing
incentive to work.

But if you were to give that subsidy without establishing
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they will soon prefer to increase their earnings and go to
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C: Perhaps so--now. But if the knowledge spreads that you
can live without ~~making~~ working at the expense of the
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morally superior not to earn money also spreads, then the
number of "hippies" will greatly increase and workers will

have to bear a heavy burden. The idle--who have the vote just as much as the working population--will insist on higher subsidies. The working population will want to throw out all welfare provisions. The government, to keep everybody's vote, will probably resort to inflation --and we will be in an or English ~~an~~ mess.

L: So you reject the overall ~~high~~ negative ~~tax~~ income tax--but want to use the techniques for selected groups?

C: Right.

L: What about other evils connected with poverty such as slums, or bad education?

C: Neither of them is subject to overall solutions either. Those that have been tried--public housing, urban renewal--have made things worse.

Slums--deteriorated or overcrowded housing--might be improved by a variety of local activities--not by any Federal

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introduction of teaching might help.

L: Quite a program. And it seems rather slapdash.

C: Yes, it would require much more elaborate presentation.

But I want to draw your attention merely to the fact that
the needed changes are not financial nor overall pressures
but rather internal reforms.

L: Sounds good. Do you really believe it will happen?

C: No. Poverty will not disappear; and, unfortunately, it will decrease at a slower rate from now on because of two obstacles.

Poverty cannot disappear because the definition of "poor" is neither fixed nor objective. It is odd that liberals don't realize this. They believe there is an objective, absolute and fixed standard of "poverty" although they do not regard other moral ideas as fixed or objective--let alone absolute. They don't even realize that "poverty" is a moral idea. Yet "poverty" is a social evaluation of people's purchasing ability. The evaluation springs from the current middle class scale of living. Any family with an income by more than 2/3 below the average middle class income is "poor."* As middle class income rises so does the income that must be received if one is not to be poor. Hence, "the poor ye will always have with you?--by definition: "the poor" are those in the lowest segment of the income distribution. And there must always be a lowest segment unless everybody receives the same income--which is neither possible nor desirable. Unequal distributions necessarily have a highest group--"the rich"--and a lowest group--"the poor."

L: So we may not altogether eliminate poverty. Can nothing be done about it?

C: We can reduce the size of the "poor" group; and the degree of poverty they suffer--the gap between them and the lower middle class.

P.4 -- footnote:

* The median family income for all families in 1967 was about \$8000. Average middle class income depends on the definition of "middle class," but would be higher.

whose poverty is not simply explained by remediable external conditions, such as unemployment or lack of skill. They are sometimes unemployable, often hard to employ because of physical and psychological defects; others are incapable of acquiring a skill or not "motivated" enough (i.e. unwilling) to do so. This is to be expected. Most of the mobile poor, those who simply lacked opportunities, no longer are poor. We are at the bottom of the barrel. Many of the families still poor are not easy to help. They have characteristics which reduce employment and earning ability even when opportunity is present. Finally, unless you leave a sizeable difference between the income of the poor through welfare, and the income independently achieved by the non-poor, the latter not only will resent welfare measures --they may give up their efforts to make it on their own.

L: So you just would give up in turn?

C: No. I would urge programs that instead of encouraging dependency--poverty as a way of life--would encourage and help people to become independent--to earn their own living.

L: Can that be done? If so why isn't it being done?

C: It cannot be done with all the poor. But certainly with many with whom no serious attempt is made today. In the past these people were kept dependent on welfare payments because of bureaucratic obstacles--which explain but do not justify our failure. Now ideological obstacles have been added to justify public assistance as a way of life. The "war" on

poverty has largely turned out to be an attempt to organize the poor as such, to make them a permanent "class conscious" group--which is altogether inconsistent with helping them individually to overcome poverty. The whole philosophy of "the war" on poverty is, to put it mildly, absurd: 1) our government spends taxpayers' money to create pressure--even riots--against itself and the taxpayers; 2) not only are the poor organized by the government to blackmail it--they are also organized to remain poor. To organize means--almost by definition--to perpetuate a group. The government attempts not to make it easier for individuals to leave the group but rather to make membership less unattractive by giving members the means to exercise pressure on the community and the government to get higher assistance payments, various amenities, etc. The poor are not so much given opportunities and help to leave poverty behind--but indulgences, privileges and rights qua "the poor"--preeminently the right to blackmail.

II

How Poverty Can Be Reduced

L: In your view, what should we do instead?

C: Let me first give you an idea of who the poor are. (Incidentally, despite all the research grants, too little is known about who is poor and why.)

According to government data and standards, there are (1967) about 5.3 million poor families (about 25.9 million poor persons); 25% of these have heads over 65 years old; 22% are headed by females. The remaining 50% of all poor families had employed family heads, who do not earn enough to get the family above the poverty line. One-third of all poor families are black (a much higher percentage of the black than of the white population).

One other point: 15% of all poor families had five or more children; 40% of all poor persons are under 18 years of age.

In the light of these data, a satisfactory welfare system must attempt three things which are not always easy to reconcile with each other. But the present system functions so as to defeat each of these goals. The "war on poverty" has created an ideology out of this failure--and now has developed into a failure of this ideology.

1) We must provide in the simplest way--with the least administrative cost--for those who cannot provide for

the subsidy in proportion to their income from other sources, in such a way that they retain an incentive to earn it;

3) giving a block subsidy in similar ways to employed people who earn too little;

4) giving such a subsidy to idle but employable people who would earn too little on condition that they accept jobs at market wages;

5) introduce legislation to exempt categories of workers from contractual or legal union pay.

I would modify the "negative income tax" by adding to the income declaration the condition that employment must be sought and accepted by people not employed nor incapacitated, at market wages.

6) I would eliminate most of the present multitude of poverty programs and change the emphasis from helping the poor to become a pressure group extorting money from those who work, to helping them to work themselves.

My proposals will not solve all problems. But they will improve the situation for all concerned--the poor, the welfare clients, the unemployed, the taxpayers and the children.