



**BRIEF ANALYSIS**

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## **Welfare Reform: Should There Be Strings Attached?**

Until President Lyndon Johnson sought to establish his Great Society, welfare in America was primarily a state, local and private sector responsibility. Federal welfare spending was modest. After Washington took over welfare with the 1960s War on Poverty, government welfare spending soared. Government at all levels now spends over \$350 billion per year on welfare, substantially more than on national defense. Since 1965, government has spent \$5.4 trillion on welfare for the poor. Yet today's poverty rate of 15.1 percent is higher than the 14.7 percent in 1966 when the War on Poverty began.

The new Congress offers the greatest opportunity in a generation to reverse welfare federalization. There is broad support in and out of Congress to block grant federal welfare programs back to the states. Using the block grant funds, the states would be free to implement welfare reform. This reform would have two goals:

- **To end entitlements.** The block grants would end the entitlement nature of federal programs, leaving the states free to determine who is eligible for assistance within their jurisdictions.
- **To control budgets.** With specified entitlements ended, the federal government could limit spending for the block grants. Both House and Senate bills block-granting federal welfare programs achieve major budget savings in precisely this way.

**The Emerging Debate.** A debate has arisen among conservatives over how much freedom the states should have. Led by Sen. John Ashcroft (R-MO), some argue for a "no-strings-attached" approach under which federal requirements on state use of block grant funds would be minimal.

Other Senate Republicans want the federal government to impose what they see as a conservative version of welfare, replacing the current liberal one. Under this "strings-attached" approach, the federal government would detail how states could use the block grant funds. This view ultimately prevailed in the House of Representatives, whose welfare reform bill includes many pages of federal mandates on states' welfare programs.

Which side is right? Let's take a closer look.

**The Case for Strings Attached.** Robert Rector of the Heritage Foundation argues that when states receive "free" money from Washington they have no incentives to spend it wisely and thus spend it wastefully. He writes,

[W]hen state bureaucracies and governors receive federal money, they treat it like anything else that is free... We all know that politicians spend other people's money unwisely. If there's anything less frugal than a politician spending other people's money, it's one set of politicians with no accountability spending money raised by another set of politicians.

Rector also argues that without federally imposed rules, welfare reform will be sabotaged by welfare bureaucrats at state and local levels — people who have no sympathy with the goals of welfare reform. He writes that, "the bulk of the liberal welfare bureaucracy in the welfare state is in America's state capitals. It is not in Washington."

**The Case for No Strings Attached.** Opponents argue that when states are given a block grant, that money is theirs alone. If they waste it, they have to use more of their own funds to make up the difference. If they spend it efficiently, they have to use less of their own money and may be able to lower taxes. Consequently, states have ideal incentives to use the unrestricted block grant funds efficiently.

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***No-strings-attached block grants would eliminate the control of the federal bureaucracy.***

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In the past, when conservatives have taken over a state, the Washington bureaucracy has stymied their reform efforts. That is what happened when California Governor Ronald Reagan and other governors sought to establish workfare in the 1970s. No-strings attached block grants would eliminate the control of the liberal federal bureaucracy and allow reformers to focus on the state bureaucracies.

As an example of the problem to be solved, consider that the House welfare reform bill attempts to end subsidies for illegitimacy by eliminating Aid to Families With Dependent Children (AFDC) benefits for unmarried mothers under 18, except where the pregnancy was due to rape or incest. During the Carter administration, when Congress attempted to prohibit use of Medicaid funds for abortions except in cases of rape or incest, federal regulations declared all pregnant women under 18 the victims of statutory rape. The same techniques could nullify reforms proposed by the House.

Block grants without strings would allow each state to redesign its current welfare program completely. Current failed programs need to be thoroughly reformed and replaced. Thirty years of experience has proved that Washington has no workable welfare solution. There are no good arguments for giving Washington more time or authority over welfare in the states.

**Can Strings-Attached Block Grants Work?** Many welfare reforms advanced inside the Beltway by conservatives and liberals alike are poorly reasoned. For example, some of the reforms in current legislative proposals do not surely, effectively reduce the dependency and illegitimacy spawned by welfare. The House bill and other legislative proposals advanced by conservatives would cut off at least some welfare assistance after two or five years. But if single welfare mothers and their children remain needy after the cutoff period, the government will be pressured to continue assistance.

The best reform strategy seems to be the work plan adopted at least partly in Utah and currently being implemented in Oregon and Wisconsin. That plan offers recipients work and wages instead of welfare. It ends all subsidies for illegitimacy and all incentives not to work. At the same time, the plan retains a safety net for those in need. So far federal reformers have ignored this plan.

**Advantage of No Strings: Experimentation.** No-strings-attached block grants would allow the states to experiment with this and other approaches and determine by experience which is best. The most successful state programs would be copied by others. The most aggressive states would be able to try the most radical

reforms, reforms far more innovative than any Congress would enact. Differences in state poverty populations may require the implementation of different reforms to achieve the best results.

**Advantage of No Strings: Efficient Use of Funds.** Block grants with minimal restrictions would allow states to allocate available funds to the most urgent and productive uses. Moreover, governors and state legislatures would no longer be able to hide behind federal mandates. If they did not adopt the most effective and least costly reforms discovered by other states, they would be voted out of office.

**The Packwood Bill.** The reform bill developed by Senate Finance Committee Chairman Bob Packwood (R-OR) is better than the House reform bill. The Packwood bill eliminates most of the unnecessary federal requirements in the House bill, bringing the reforms much closer to no-strings-attached block grants, with the inherent advantages described above. The bill has been sharply criticized for its lack of federal requirements regarding work and illegitimacy. But it allows states to pursue what each of them considers the best strategy to require work and counter illegitimacy.

The Packwood approach is more likely to achieve passage, since it will not be stalled by debates over various federal requirements. The House bill, by contrast, already has generated considerable opposition because it simply cuts off unwed mothers under age 18.

**The Ashcroft Bill.** However, the best proposal is the one sponsored by Senator Ashcroft. It eliminates all federal requirements except nondiscrimination civil rights standards. Assistance can only be provided in return for work from able-bodied adults in the family, with the states free to determine how to carry this out. In addition, the block grant funds are paid by the Treasury Department rather than by Health and Human Services. The liberal federal welfare bureaucracy is bypassed completely. The resulting block grants truly would go to the states with no strings attached.

*This Brief Analysis was prepared by Robert Carleson, Senior Fellow of the Free Congress Foundation.*