Welfare Reform: A Failure of Conservative Policymaking
A Response to Ramesh Ponnuru

Peter Germanis[1]
August 27, 2016

Arthur Brooks, president of the American Enterprise Institute (AEI), once said, "What is most important on the right is not to shut down the competition of ideas."[2] I welcome that spirit, and that is why I offer an alternative conservative perspective to the conventional wisdom that the 1996 welfare reform law, and the creation of the Temporary Assistance for Needy Families (TANF) block grant, was an "unprecedented success." In fact, I argue that TANF is a policy failure and should not be held out as an example of "conservatism." I offer an alternative conservative perspective, based on a model developed in the Reagan Administration, which provided states flexibility, but unlike TANF had strong accountability provisions – most notably cost neutrality and rigorous evaluation – to ensure that states actually helped needy families. This approach was continued by President George H.W. Bush and President Clinton. TANF replaced this evidence-based approach with a blank check and no meaningful accountability. For the past year, I have been writing critiques of TANF and "responses" to those who suggest TANF has been a "success."

Ramesh Ponnuru, a senior editor for *National Review* and a Visiting Fellow at AEI, recently claimed, "Welfare reform may be the last great bipartisan success story."[3] It is true that former President Bill Clinton signed the 1996 welfare reform law, but the details of the law were worked out by conservatives. Writing about the politics of the 1996 legislation, Robert Rector of The Heritage Foundation stated: "It isn't enough to get the technical details of a policy right. Words and symbols matter, too."[4] Unfortunately, when it comes to the TANF legislation, conservatives got virtually every technical detail wrong. "Welfare reform" is not a "bipartisan success story"; it is a failure of conservative policymaking. This note is not intended to be a full response to Ponnuru's claim that "welfare reform" is a success, but rather a summary of some of the problems associated with the conventional conservative wisdom on this topic. Selected statements by Ponnuru are followed by a "PC Response" (where PC refers to my pseudonym – "Peter the Citizen").

Ramesh Ponnuru: "Scott Winship, a careful researcher at the conservative Manhattan Institute, has a new report arguing that welfare reform deserves to be remembered fondly."

PC Response: In "Poverty After Welfare Reform," Scott Winship of the Manhattan Institute describes the main weaknesses of the "official" poverty measure, most notably its failure to count as income non-cash benefits and refundable tax credits. He shows that counting such benefits has a significant effect in reducing poverty, thus dispelling Speaker Ryan's recent claim, "For years – decades now – Washington has spent trillions of dollars on dozens of programs to fight poverty. But we have barely moved the needle. The war on poverty is a stalemate at best."[5]

Winship also addresses other issues in poverty measurement, most notably the effect of cohabitation, the price index used to adjust poverty thresholds, and underreporting of income on household surveys. His analysis of poverty rates and trends over time is "careful," but other "careful" researchers have reached different conclusions based on differences in data and/or methodological approach. This response does not address these technical issues.

The problem arises when Winship asserts that "welfare reform" *caused* poverty rates to fall. This is most clearly reflected in the titles of some of his articles: "Welfare Reform Reduced Poverty and Nobody Can Contest It"[6] and "Happy birthday, welfare reform: The law signed by Bill Clinton in 1996 helped millions of American families rise out of poverty."[7] In "Poverty After Welfare Reform," he suggests that TANF's "lessons" should be extended to other safety net programs:

> The idea that rolling back welfare reform would help the poor is wholly unjustified by the evidence. Obviously, much depends on the details of future proposals, but the facts do not even imply that extending the lessons of welfare reform to other safety-net programs would be harmful to the very poor.[8]

Winship presents absolutely no "facts" about TANF or any credible "evidence" of its impacts beyond merely asserting that it increased employment and reduced poverty. He compares poverty rates before and after the 1996 law passed and based on that comparison declares success. There are many factors that affect poverty beyond "welfare reform" – the economy; the expansion in health spending and aid to the working poor; and changes in drug use, crime, teen pregnancy, and other social behaviors. Winship's analysis of poverty rates, while impressive, is not a basis for making causal inferences about the effects of "welfare reform." By this same line of reasoning, conservatives should embrace "Obamacare," as the percentage of people without health insurance for the entire year fell from 15.5 percent in 2010 to 10.4 percent in 2014.[9]

A "careful researcher" would be more cautious about making unsupported claims.

Ramesh Ponnuru: "Liberals have also grown more and more convinced over time that welfare reform was a material disaster for the poorest among us and therefore a moral disaster for the nation as a whole. For their side, many conservatives have pronounced the system a failure as well, claiming that its safety-net features have done little to affect poverty rates. The good news is that claims on both sides are almost certainly wrong."

PC Response: This argument confuses "welfare reform" with the "safety net." The creation of TANF ("welfare reform") shredded the cash assistance safety net for some of the nation's neediest families. Winship could easily have shown TANF's direct effects on poverty by adding a poverty line above his "cash income" line – one that is "cash income less TANF cash assistance." Since TANF spending on cash assistance has fallen by over $20 billion in real terms since 1996, from over $30 billion to less than $10 billion, it should come as no surprise that TANF is less effective in reducing poverty today than in 1996.

Federal spending on the nation's major means-tested welfare programs, however, has more than doubled since 1996 (in constant dollars), from about $300 billion in 1996 to about $650 billion in 2014.[10] As I indicated in the title of my response to his paper, "TANF is a Massive *Policy* Failure, But Other 'Liberal' Welfare Policies Reduced Poverty: A Response to Scott Winship," if his analysis shows anything, it is that spending more money on anti-poverty programs reduces poverty. (See also, Jordan Weissmann's "The Odd Conservative Argument That Food Stamps and Medicaid Saved the Poor From Welfare Reform."[11])

The fact that non-TANF spending on means-tested programs grew and offset the failure of TANF as a safety net program is not really a defense of TANF, although Winship does use this argument:

> The question is what would have happened in the absence of the welfare reform we actually implemented. This is a very difficult question to answer. If the AFDC program circa 1991 remained with us today, would policymakers have expanded SNAP, Medicaid, and the EITC as much as they actually did? Would they have created the Children's Health Insurance Program, made the Child Tax Credit refundable, or passed Obamacare? Would the antipoverty policy response during the Great Recession have been as strong?[12]

This is an unusual argument. Winship is suggesting that shredding the cash assistance safety net led to an expansion in other parts of the safety net. So, if we extend the TANF model to SNAP, can we expect to see child allowances, an increase in the minimum wage, and universal health care?

In terms of poverty, most of the expansion in spending, however, went to programs serving the working poor – not the families most affected by the demise of the cash assistance safety net. Examining changes in poverty *rates* does not capture the impact of changes in the depth of poverty. (For a more detailed discussion, see my paper, "'Welfare Reform' *Increased* Poverty and No One Can Contest It: A Note to Conservatives" and for the importance of a *cash* assistance safety net, "Understanding '$2 a Day' Poverty: An Explanation for Robert Doar.")

Ramesh Ponnuru: "It imposed work requirements on many welfare recipients and gave states more flexibility in how they spent welfare funds."

PC Response: When it comes to welfare reform, conservatives have been unable to translate their ideas into effective policies – this is no more evident than in the case of TANF's work requirements. TANF's work requirements have never worked. The block grant structure has created a situation in which many states don't invest the resources to run meaningful welfare-to-work programs, as the amount is not adjusted for inflation or demographic changes. And, the excessive state flexibility means that states can game the requirements to meet the federal work rate targets and, then divert the funds to uses unrelated to core welfare reform activities. TANF's work requirements are unreasonable, unrealistic, unhelpful, and are not about work. (I have documented the problems in many papers, most recently in "The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American

Enterprise Institute" and "The Failure of TANF Work Requirements in Wisconsin: A Note for Speaker Ryan.")

TANF certainly did give states "more flexibility in how they spent welfare funds," but this was not a good thing, unless conservatives now believe that "revenue sharing" is the way to reduce poverty. More specifically, the creation of the TANF block grant with *excessive* state flexibility set in motion changes that would: (1) initially provide large windfalls of federal funds for states, but also put in place a funding structure that in the longer-term would provide insufficient resources due to inflation and demographic changes; (2) allow states to use federal funds to supplant their own spending (by tens of billions of dollars since TANF was created); (3) permit states to convert TANF (over time) to a giant slush fund with minimal reporting and accountability provisions; (4) impose a Rube Goldberg-like set of bureaucratic and ineffective funding formulas and requirements; and (5) give states excessive flexibility to avoid or evade virtually all of the federal requirements in the law, most notably work requirements and time limits. (For more detail, see: *TANF is Broken!* [13])

Ramesh Ponnuru: "There is certainly room to argue that we should be doing more to fight poverty in America and doing a better job of allocating public resources. But Winship's paper makes a powerful argument that to do so, we should build on the success of welfare reform rather than try to reverse it."

PC Response: What are the "lessons" we should build on? Winship doesn't really say. He talks about making welfare "less appealing"; the lesson from TANF then is that if you slash one program, others will expand ten-fold to reduce poverty. This is a bizarre argument and hardly a surefire way to reduce poverty.

Some conservatives believe TANF's "work requirements" were the key to "welfare reform." I am the only conservative who has written in any detail about these work requirements – they don't provide a hand-up to needy families and states meet what are unrealistic requirements by gaming them. TANF set the conservative case for work requirements back by two decades and destroyed any credibility that conservatives might otherwise have had about extending work requirements to other safety net programs. Again, see: "The Failure of TANF Work Requirements: A *Much Needed* Tutorial for the Heritage Foundation and the American Enterprise Institute" and "The Failure of TANF Work Requirements in Wisconsin: A Note for Speaker Ryan."

In a recent tweet, Winship states: "EITC expansion MUCH preferable to min wage increases, unconditional guaranteed income. Ought to be focus of conservative antipov policy." This comes just days after saying, "Welfare reform was the most successful anti-poverty legislation since the national expansion of food stamps in 1974. History will regard it as a model, not a mistake." If "welfare reform" is the most successful "anti-poverty legislation" and a "model," why should the EITC now be the focus on anti-poverty policy? Notably, the EITC is a federal entitlement – the direct opposite of TANF.

The main problem with conservative anti-poverty proposals is the absence of policy details. Winship provides no policy details, but he is not alone. Speaker Ryan's "Poverty, Opportunity, and Upward Mobility" report that was released as part of a series of reports under the rubric of *A Better Way* is devoid of substance and policy details.[14] In fact, aside from the papers I have written, no conservative has written a comprehensive assessment of how welfare reform has been implemented or provided recommendations with policy details to address its glaring deficiencies.

Conclusion

TANF is not a "bipartisan success." This response just touches on some of its many problems (see *TANF is Broken!* for a detailed discussion of TANF's dysfunctional provisions). If conservatives want to be seen as having serious ideas for tackling poverty, it is time to acknowledge that TANF, and indeed block grants of any kind, are bad public policy. We cannot give states a blank check and hope for the best. Certainly, it would be a massive mistake to replicate this model in other programs.

NOTE TO READER – an alternative approach: TANF replaced an evidence-based welfare reform model, which had strict accountability measures, with a blank check with virtually no meaningful accountability. In 1987, President Reagan started encouraging states to use existing authority to conduct welfare reform experiments – through waivers of AFDC's rigid rules (and, to a lesser extent, food stamp and Medicaid rules due to more limited waiver authorities for those programs). This approach was continued by President Bush and President Clinton. When the 1996 law passed, many states simply continued these policies – they didn't need TANF to enact "welfare reform." This process did not provide a fixed level of funding, like block grants. Instead, it relied on an approach that would provide a real counterfactual using the "gold standard" of evaluation – random assignment. The findings from random assignment experiments are considered the most credible, because the experimental and control groups are alike and subject to the same external conditions, with the only difference being the intervention itself. Thus, any difference in outcomes between the groups can be attributed to the intervention – welfare reform – itself. As a result, it would be possible to know whether state reforms actually reduced welfare dependency by increasing self-sufficiency. And, the experience of the control group could be used to ensure cost-neutrality, as the budgetary effects of any programmatic changes would be measured by examining the experimental-control group differences in costs. TANF replaced this approach with one that essentially provides states a blank check with no accountability.

Instead of TANF, the waiver process could have been improved and extended to other programs. As we built evidence of what works and what doesn't, we would have had the basis for making national reforms. Now we have to start over. In reforming any safety net program, conservatives should look to the "Reagan model" – build in accountability and evaluation to ensure that the reform actually succeeds in reducing dependency and poverty. Do not replicate the "TANF model."

[1] The views in this document reflect my own as a citizen and do not reflect the views of any organization I am now or have ever been affiliated with. By way of background, I consider myself a conservative and have worked on welfare issues for the Heritage Foundation, the American Enterprise Institute, and the White House under both President Reagan and President George H.W. Bush. This paper assumes the reader has a basic understanding of the TANF program, but for those readers who want more context and background, see Peter Germanis, *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: https://petergermanis.com/wp-content/uploads/2020/09/TANF-is-Broken.072515.pdf; for all my papers, see: https://petergermanis.com/.

[2] See Jennifer Rubin, "Arthur Brooks: The battle of ideas," *The Washington Post*," December 9, 2012, available at: https://www.washingtonpost.com/blogs/right-turn/wp/2012/12/09/arthur-brooks-the-battle-of-ideas/.

[3] Ramesh Ponnuru, "Welfare reform, the bipartisan success story," August 23, 2016, available at: http://www.aei.org/publication/welfare-reform-the-bipartisan-success-story/.

[4] Robert Rector, "Bill Clinton was Right," *The Washington Post*, August 23, 2006.

[5] Speaker Paul Ryan, "Weekly Republican Address: This is a Better Way," June 3, 2016, available at: http://www.speaker.gov/press-release/a-better-way.

[6] Scott Winship, "Welfare Reform Reduced Poverty and No One Can Contest It," *Forbes*, January 11, 2016, available at: http://www.forbes.com/sites/scottwinship/2016/01/11/welfare-reform-reduced-poverty-and-no-one-can-contest-it/.

[7] Scott Winship, "Happy birthday, welfare reform: The law signed by Bill Clinton in 1996 helped millions of American families rise out of poverty," August 25, 2016, available at: http://www.nydailynews.com/opinion/scott-winship-happy-birthday-welfare-reform-article-1.2764481.

[8] Scott Winship, *Poverty After Welfare Reform* (Manhattan Institute, August 2016), p. 8, available at: http://www.manhattan-institute.org/sites/default/files/R-SW-0816.pdf .

[9] Jessica C. Smith and Carla Medalia, *Health Insurance Coverage in the United States: 2014* (Wasington, DC: U.S. Census Bureau, September 2015), available at: https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-253.pdf.

[10] Gene Falk, *Low-Income Assistance Programs: Trends in Federal Spending* (Washington, DC: Congressional Research Service, May 7, 2014), available at: https://www.fas.org/sgp/crs/misc/R41823.pdf.

[11] Jordan Weissmann, "The Odd Conservative Argument That Food Stamps and Medicaid Saved the Poor From Welfare Reform," *Slate*, August 26, 2016, available at: http://www.slate.com/blogs/moneybox/2016/08/26/the_odd_conservative_case_that_welfare_didn_t_hurt_the_poor.html.

[12] Scott Winship, *Poverty After Welfare Reform* (Manhattan Institute, August 2016), p. 38, available at: http://www.manhattan-institute.org/sites/default/files/R-SW-0816.pdf .

[13] Peter Germanis, *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: https://petergermanis.com/wp-content/uploads/2020/09/TANF-is-Broken.072515.pdf.

[14] "Poverty, Opportunity, and Upward Mobility," in *A Better Way: Our Vision for a Confident America*, June 7, 2016, available at: http://abetterway.speaker.gov/_assets/pdf/ABetterWay-Poverty-PolicyPaper.pdf.