



# The Conservative Case Against Child Allowances

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A M E R I C A N   E N T E R P R I S E   I N S T I T U T E

# Executive Summary

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Child poverty in the United States is too high. How can we reduce the share of children with low incomes, both today and in the future? One possible approach—a child allowance—has suddenly risen to the forefront of policy debate, with proposals from the Joe Biden administration, House Democrats, and Sen. Mitt Romney (R-UT). A child allowance would send unconditional cash benefits to nearly all families on a per-child basis.

These proposals have strengths and weaknesses, like all proposals. Yet support for child allowances has become a litmus test of whether someone cares about child poverty. Child allowances have won support from many camps in the conservative coalition. Pro-natalist, populist, and reform conservatives—groups that overlap considerably—favor the goals of supporting parenthood and one-worker families, but with distance from the welfare reform debates of the 1990s, fewer conservatives than in the past worry about the risk of encouraging single parenthood and no-worker families.

But there is wisdom in the traditional disposition of antipoverty conservatives—a disposition that was once somewhat bipartisan and that deserves credit for some of the unappreciated success the nation has had reducing child poverty over the past 40 years. Child allowances run a very real risk of encouraging more single parenthood and more no-worker families, both of which could worsen entrenched poverty in the long run—an overreliance on government transfers, poverty over longer stretches of childhood, intergenerational poverty, and geographically concentrated poverty. And the concern is about not only material poverty but also the social poverty that comes from growing up in non-intact families or communities with limited social capital and a dearth of meaningful roles for members to fill.

This report assesses the risk that child allowances would reduce work among single-parent families and encourage the growth of single-parent families. There is significant ambiguity in the relevant research literatures—much more than child allowance advocates have conveyed. Different people with different priors can point to this or that study if they are intent on asserting a claim about the impacts of a novel program like child allowances, but strong statements are not justifiable based on a comprehensive assessment of the literatures. Nonetheless, there is plenty of evidence to bolster the concerns of conservative critics of child allowances.

Given this ambiguity, it is important to appreciate the great progress the nation has made reducing child poverty over the past 40 years. Poverty among the children of single parents fell from 50 percent in the early 1980s to 15 percent today, with an especially sharp decline during the 1990s. This was a period in which policy reforms encouraged work, by imposing time limits and work requirements on receipt of cash welfare and expanding benefits to low-income workers. It was also a period that featured strong labor demand. But the employment gains of the 1990s were not reversed thereafter, and poverty among single mothers has fallen even before taking account of the expanded safety net. Nor does the nation's child poverty rate look especially high relative to our peer Anglo-sphere nations, especially given our higher rates of single parenthood.

Policymakers should reject child allowances in favor of other policies to reduce child poverty that would build on the lessons of welfare reform, run lower risks of unintended consequences, address stubbornly low rates of intergenerational mobility, and attempt to reverse pervasive declines in family and associational life. They must resist the allure of a family policy that—only apparently—has no downsides.



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If you're under age 40, you don't remember the last days of disco. You weren't there in 1979 for the Village People's "Y.M.C.A." You also won't remember how dysfunctional the American safety net was back then. In March of that year, when the Bee Gees' "Tragedy" was at the top of the Billboard charts, over seven million children were in families receiving welfare benefits from Aid to Families with Dependent Children (AFDC)—roughly one in nine children in the United States.<sup>1</sup> Only 13 percent of AFDC families included an adult working on the books even part-time in 1979 (though some were working off the books). Nearly half had been receiving benefits for two-and-a-half years, and 27 percent were in a stint that was already longer than five years. Fully 85 percent of the children receiving AFDC were living without a father present.<sup>2</sup>

If you're under age 30, you don't remember Democratic presidential candidate Bill Clinton traveling the country in 1992 pledging to "end welfare as we know it." In that year, 14 percent of children—over nine million, or one in seven—were in AFDC families in a typical month. Just 7 percent of those families had earnings, and just 11 percent had a father present. One-fifth had been receiving benefits for over five years. Not much had changed since Clinton's campaign theme song, Fleetwood Mac's "Don't Stop," reached the top 10 in 1977.

You also won't remember the state and federal welfare reforms of the 1990s, which caused AFDC caseloads to fall dramatically and increased work among single mothers. In March 1979, 58 percent of single mothers were employed, and about half received AFDC at some point during the year.<sup>3</sup> In 1992, the employment rate was still 58 percent, and

half of single mothers still received AFDC. However, by 2000, after the 1996 welfare reforms took effect, 71 percent of single mothers were employed, and less than one-quarter received benefits under AFDC's successor program, Temporary Assistance for Needy Families (TANF). Only 4.5 million children were in families receiving TANF in a typical month.<sup>4</sup>

By 2019, just 2.2 million were, or one in 33 children. And poverty among the children of single mothers was at an all-time low—lower by four or five million than if poverty had remained at its 1993 level, when welfare reforms were already in full swing in some states.<sup>5</sup>

Nevertheless, while child poverty in the United States is rarer than many observers believe, it remains too high. How can we reduce the share of children with low incomes, both today and in the future?

One possible approach—a child allowance—has suddenly risen to the forefront of policy debate. A child allowance would send unconditional cash benefits to nearly all families on a per-child basis. In February 2021, Sen. Mitt Romney (R-UT) released a child allowance proposal that one study projected would lower the child poverty rate by a third.<sup>6</sup> Meanwhile, congressional Democrats are pushing to expand the child tax credit into a child allowance, giving shape to one of President Joe Biden's priorities during the 2020 presidential campaign. The proposal would be less generous than Romney's, though one analysis has it reducing child poverty by more, due to other policy changes in the Romney plan.<sup>7</sup> It is likely to be passed into legislation in March and signed into law in the coming weeks. While temporary, observers anticipate that Democrats will push to make the child allowance permanent later in the year.

These proposals have strengths and weaknesses, like all proposals. Yet support for child allowances has become a litmus test of whether someone cares about child poverty. The widespread support for child allowances on the political left is unsurprising. Perhaps less predictable was the broad support the Romney proposal has received from many camps in the conservative coalition.

### Child Allowances and the Conservative Coalition

This center-right support has come from pro-natalist, populist, and “reform” conservatives—groups that overlap considerably. The pro-natalists are social conservatives who believe that raising a child has become inordinately expensive, even for middle-class families, and that given their druthers, Americans would choose to have more children.<sup>8</sup> The rise in the cost of living has, it is said, prevented people from forming families in the first place, having their desired number of children, and adopting the traditional breadwinner-homemaker household when they prefer it.

The headline policy proposal from the original “reformocons” was an expansion of the child tax credit to remedy the “double taxation” of parents to fund senior entitlements. The argument was that parents fund Social Security through payroll taxes but also through bearing and raising the children who will be the future payers of payroll taxes.<sup>9</sup> Child subsidies, then, may be seen as a way of making the tax code fairer to parents.

Finally, populists tend to have a dour view of the economy and how well it has served everyday Americans, believing that elite-driven policymaking has offered little to the working and middle classes.<sup>10</sup>

The validity of the complaints from these camps is a topic for another report. The point is that a child allowance appeals to a variety of conservatives who are primarily focused on supporting parenthood. For many of these conservatives, the reality that subsidizing parenthood and one-worker families also means subsidizing single parenthood and no-worker families

is—or should be—worrisome. But if child allowances reduce poverty substantially with few costs, what’s not to love? The allure of a family policy without apparent downsides is a strong one.

A quarter of a century since welfare reform, conservatives focused primarily on antipoverty policy are suddenly finding that cohort replacement has not been their friend. The success of welfare reform has been written out of social policy history, and many younger conservatives view the risks of unintended consequences in safety-net policy roughly in the same way they view the risks associated with inflation or a growing national debt—as a phantom threat the oldsters worry about. Conservative safety-net reformers have become the victims of their own success.

But there is wisdom in the traditional disposition of antipoverty conservatives—a disposition that was once somewhat bipartisan and that deserves credit for some of the unappreciated success the nation has had reducing child poverty over the past 40 years. Child allowances run a very real risk of encouraging more single parenthood and more no-worker families, both of which could worsen entrenched poverty in the long run—an overreliance on government transfers, poverty over longer stretches of childhood, intergenerational poverty, and geographically concentrated poverty. And the concern is about not only material poverty but also the social poverty that comes from growing up in non-intact families or communities with limited social capital and a dearth of meaningful roles for members to fill.<sup>11</sup>

Advocates of the view that any amount of poverty is simply a social choice might assert that if child allowances increase poverty in the long run, we could just “alleviate” this poverty by providing even more generous child allowances or a universal basic income.<sup>12</sup> But poverty is not just a matter of money. Material poverty can be a matter of dependence, of limited options and power. Social poverty involves deficits of social capital and the resources it provides—that is, esteem, role models, access to information, emotional support, and behavioral norms. Just as *more generous* child allowances in the future would constitute a flawed and shortsighted antipoverty policy, introducing child allowances today is hardly the optimal way

to build on the poverty reduction we have seen over the past 40 years.

The evidence does not clearly point to child allowances running large risks for the long-run health of the nation. But nor is there a reassuring case that there are no such risks. What do we do when the potential effects of a policy change are unclear? Part of that answer must depend on what we think of current policy and the other alternatives on offer.

The unappreciated successes of American anti-poverty policy should make us reticent to introduce uncertain policy changes. And there are different policies that could build on the successes of the past 25 years and that would reduce poverty with a smaller risk of long-term unintended consequences.

### Conservative Concerns About the Safety Net

The main concerns of conservative antipoverty scholars do not revolve around the decisions that fairly secure married couples make about work and child-bearing. When we warn that policies may promote nonwork, we are not thinking of working wives deciding to focus on child-rearing instead. Rather, the concern is that safety-net reforms will increase the number of families that rely primarily on government benefits as a replacement for work. Single parents, given their prevalence among lower-income families and the logistical challenges they have combining parenting and work, will disproportionately find such a trade-off acceptable. And that raises the concern that the safety net will also increase the number of children raised by a single parent.

It is worth reiterating that conservative concerns about single parenthood are not—or should not be—about antipathy toward single parents. Personally, I have been a single parent, and I know how hard it is. (It is, of course, harder still when resources are scarce.) Single parents, like married parents, generally want the best for their kids. But on average, their children do worse on a broad array of outcomes.<sup>13</sup>

Research on the causal effects of growing up with a single parent is weaker than is appreciated. Growing

up with parents who don't want to be together is hardly a recipe for thriving, but that counterfactual is rarely modeled in social science research comparing different family structures.

Nevertheless, it is hard to imagine that a world in which more children grew up with both of their happily married biological parents would not be better for kids (and parents). Even single parents who are not worried about their own children's educational or economic outcomes nevertheless know how difficult it is for them to experience the disruption of their original families and the blending of new ones, even in financially secure homes. Many readers will know firsthand what that is like from their own childhood. As discussed in a Joint Economic Committee report from 2019 (of which I was primary author), children who grow up with two happily married parents

get to see both parents every day, spend the holidays with both, and they don't have to feel guilty about spending or enjoying more time in one household than the other. Nor do they have to question whether they caused their parents to break up. They have a single set of household rules, a single bedroom and wardrobe. Their schedule does not depend on which parent they are staying with. They get engagement from both parents and avoid hearing parents acidly complain about each other. Their parents are less exhausted by childrearing. They get the material benefits of economies of scale and of higher family income. They are witness to what a loving relationship looks like and have first-hand evidence that such relationships are secure and sustainable. And they avoid having to adjust to the changing romantic lives of their mother or father—changes which can include disruptive remarriages and family-blending.<sup>14</sup>

Unfortunately, single parenthood has soared over the years, and when contrasted against the declining poverty I discuss below, it arguably emerges as a much more pressing issue.<sup>15</sup> In 1970, 5 percent of children lived with a single parent, but today that is true of a quarter of them. The share of births occurring to single mothers rose from 10 percent in 1970 to around 40 percent today. Among the fifth of women with the

lowest educational attainment, that trend was from 20 percent of births in 1970 to about two-thirds of births today. These trends have improved modestly over the past 10 or 15 years, but they should continue to alarm us.

Single parenthood is also geographically concentrated, and the work of Raj Chetty and his colleagues has demonstrated powerfully that community-wide rates of single parenthood matter for child outcomes.<sup>16</sup> According to data compiled by Opportunity Insights, in one in five neighborhoods, a majority of households with children are headed by a single parent. In 8 percent of neighborhoods, single-parent households outnumber other households with children two to one. And in 3 percent of neighborhoods (about 2,200 census tracts), four in five households with children are headed by a single parent.<sup>17</sup>

Should single parents be expected to work? Surely our safety nets must be softhearted and not be so inflexible as to indiscriminately impose the same expectations on everyone receiving government support. But expectations that assistance from the safety net should be temporary and, for most beneficiaries, attached to conditions are entirely consistent with long-standing conceptions of the social contract.<sup>18</sup> Fellow citizens provide help to those in need, but in return, they expect that those in need will do their part to help themselves.

Conservatives do not inherently love work requirements, time limits, or phasing out benefits as income rises. They support these policies over unconditional cash transfers because they do not want to erode the norms of self-reliance and mutual reciprocity that underpin the social contract. These norms discourage single parenthood and other choices that have negative consequences for children, families, communities, society, and the nation.

### Would Child Allowances Reduce Work Among Single Parents?

To hear child allowance advocates tell it, the concerns of conservative antipoverty researchers regarding work and marriage disincentives are baseless. Some

cite this or that study as if it were the final word on the likely effects of a policy we have yet to try. Others read a review—or at least the abstract—and are convinced that with that secret knowledge, they have expertise on the topic.

But most social science research literatures are complicated, internally contradictory, and imperfectly applicable to specific policy questions. Certainty about how a policy innovation will turn out is the mark of an ideologue, of someone who has little experience conducting a comprehensive literature review about much of anything in social science. In the Twitterverse, patience is a vice, and substantive debates are decided based on response time and followership.

Advocates for a child allowance have justified their position primarily by citing one of four sources—a National Academies of Sciences, Engineering, and Medicine (NAS) report from 2019 that modeled the likely impact on child poverty of creating a child allowance,<sup>19</sup> a 2012 literature review by the Congressional Budget Office (CBO),<sup>20</sup> studies of the recent introduction of a child allowance in Canada,<sup>21</sup> and a 2018 review by economist Ioana Marinescu.<sup>22</sup> These sources are all serious attempts to answer difficult empirical questions, but they hardly make the case that a child allowance in the US would be all upside or refute the concern that it would significantly increase the number of children raised by nonworking single parents. Moreover, plenty of other evidence suggests cause for concern.

**That NAS Model.** Let us turn first to the NAS modeling. The NAS report estimates the impact on child poverty of three child allowance proposals. The one that most resembles the Democratic proposal and that of Sen. Romney was estimated to reduce child poverty by 5.3 to 5.4 percentage points, or about 41 percent—the largest impact they estimated out of over 20 proposals that were modeled.

The higher of those two estimates is from modeling that allows for the possibility that some parents will work less as a consequence of having more income. That is, it anticipates an “income effect,” in the jargon of economics. But according to their estimates,

that income effect is so small that it barely changes the impact of child allowances.

Before assessing the accuracy of the income effect used in the report, it is worth noting that a child allowance would also be expected to reduce work through a “substitution effect,” which NAS did not model. Income effects refer to the change in labor supply that typically occurs when someone sees a change in income holding constant the attractiveness of working an additional hour versus not working. All else equal, greater availability of government benefits will generally reduce hours worked among employed people and reduce employment. That’s because with more money, people can afford more time away from work.

Substitution effects indicate how labor supply responds to a change in the cost of working relative to not working. When taxes go up, working an additional hour becomes relatively less attractive, because the take-home pay is lower. Changes to the safety net also can create substitution effects. When someone who receives government benefits is allowed to retain more of those benefits when they work, the cost of working relative to not working declines, and employment and hours increase.

A child allowance would not decline with additional income, for all but the richest Americans. That feature has led many observers to assert that substitution effects do not matter in considering potential work disincentives (the assumption the NAS committee made). But child allowances would replace the current additional child tax credit (ACTC), which increases the attractiveness of work relative to nonwork for lower-income Americans. Take away that work incentive, and a substitution effect would tend to reduce work.

The Democrats’ proposal, for instance, would reduce the return to work over nonwork for single-parent one-child households earning between \$2,500 and \$11,000.<sup>23</sup> Within that range, workers today see their incomes rise by 15 percent more than they would without the ACTC, but that would drop to zero under the Democrats’ child allowance proposal. (The Romney plan would have even greater substitution effects, because it eliminates the head-of-household filing status and reforms the earned income tax credit.<sup>24</sup> For

a single-parent household with two children, work incentives would be reduced until income reaches nearly \$20,000.<sup>25</sup>)

Setting aside the substitution effect of a child allowance, the NAS committee’s estimate of the income effect is quantified in an “income elasticity of employment” and an “income elasticity of hours”—the effects of additional income on being employed at all and on the number of hours that employed people work. These elasticities are provided separately for fathers, married mothers, and single mothers and are sourced to two reviews, only one of which includes estimates for single parents (which was two decades old at the time the report was written).<sup>26</sup>

That review cites just one income elasticity estimate for single-parent families, reported as  $-0.21$ .<sup>27</sup> That indicates that a 10 percent increase in income from government benefits reduces hours worked among single mothers by 2 percent (through the combined effects of reducing employment and reducing work among those who stay employed). The authors of that study believed that was an underestimate due to inaccuracies in their income measure. The review also cites several other studies of single parents without providing quantitative estimates, but I found elasticities in only two of them.<sup>28</sup> The elasticities reported ranged from  $-0.07$  to  $-0.11$  in one study relying on econometric modeling and from  $-0.15$  to  $-0.20$  in another based on a policy experiment. Based on my analyses using Current Population Survey data, the NAS elasticities of employment and hours, when combined, imply a single income elasticity of  $-0.15$  to  $-0.16$ .

NAS relied on the Urban Institute to implement the modeling on which its estimates are based, using the “TRIM3” model developed there. But barring any obvious alternative, the Urban Institute implemented the simulation of a world with child allowances in a fairly simplistic way. The modelers reduced the number of fathers, married mothers, and single mothers who were employed to hit the aggregate targets for these groups implied by the assumed income elasticities of employment (but without regard to their own earnings levels). Then they reduced the labor supply of those remaining



employed by one hour (without regard to their earnings) to hit the aggregate hours reduction implied by the assumed elasticities of hours.

However, if people with lower earnings are more responsive to benefit increases, the model likely understates the labor supply effects of child allowances on single mothers at risk of long-term non-work. For example, the effect on hours for single mothers is estimated in the modeling by reducing work by exactly one hour for 26 percent of working single mothers. In the real world, lower-earning single mothers might reduce their work by 10 or 15 hours, while higher-earning single mothers largely continue working the same amount as before.

In short, interpreting the NAS modeling as anything much more than a back-of-the-envelope calculation is inappropriate. I was one of many people who were persuaded, in the run-up to welfare reform passing, that it would increase child poverty, in part due to modeling based on the Urban Institute's TRIM3 predecessor. The TRIM2 estimates turned out to be badly off.<sup>29</sup> This is not to criticize the NAS committee or the Urban Institute; it is simply an acknowledgment that "prediction is very difficult, especially if it's about the future!"<sup>30</sup>

**That CBO Review.** The CBO models the likely impact of legislative proposals on individuals, the economy, and the federal budget. To do so, it requires a variety of estimates reflecting people's assumed responses to a policy change. Among these estimates are income and substitution elasticities. In 2012, CBO updated an earlier literature review to provide transparency about the elasticities assumed in its modeling.<sup>31</sup> The review concludes that income elasticities are generally no greater (in absolute value) than  $-0.10$ .

However, the report does not attempt to estimate elasticities for single parents. In fact, the review assumes "that unmarried women and female heads of households have labor supply responses similar to men's," without offering any justification.<sup>32</sup> This assumption is understandable from the perspective of CBO's objectives in building a microsimulation model that may be used for a broad range of analyses, but it limits the review's usefulness in projecting the

impact of child allowances on single parents' labor supply. The circumstances of single parents differ greatly from those faced by childless single men and women (who are eligible for fewer safety-net benefits and generally have higher incomes) or married men (who, in addition, either have secondary earners in their family or are expected to be primary breadwinners).

**Those Canada Studies.** Coincident with the release of the Romney proposal, the Niskanen Center issued *The Conservative Case for a Child Allowance*.<sup>33</sup> The report devoted only a brief discussion to the possibility that a child allowance might increase work disincentives, citing just two studies, both examining Canada's experience introducing a child allowance. This line of research found that the child allowance *increased* participation in the workforce modestly among single mothers.<sup>34</sup>

But this research also (necessarily) involves imperfect modeling of the likely effects of the child allowance proposals currently under consideration. The Canadian benefit is more generous today, but when it was evaluated, it was only \$100 per month and went to only children under age 6. The Romney plan would give \$350 per month per child under age 6 and \$250 per month per child ages 6 to 17. The House Democrats' plan would send \$300 per month to children under age 7 and \$250 to children ages 7 to 17.

In addition, the study measured maternal employment in 2009, but the child allowance program only began in July 2006. This is a key consideration that affects many studies on the impact of unconditional cash benefits; while the short-term reduction in poverty caused by such benefits happens pretty much immediately, the long-term effects that many conservatives worry about are likely to take time.<sup>35</sup> AFDC reduced poverty, too, after it was created in 1935. But while it was not the only cause of the subsequent six-fold increase in the nonmarital birth rate over the 50 years from 1940 to 1990, it was almost surely an important factor. No evaluation of AFDC in 1940 would have captured any such impact.

In addition, the Canadian safety net on which child allowances were layered differs notably from ours



today. For instance, when the policy was enacted, Canada already had much more generous paid leave benefits, a Canada Child Tax Benefit, and a National Child Benefit Supplement. Those may have already caused a fair amount of disemployment, weakening the impact of a new child allowance.

The Canadian and American populations also differ in key ways. Canada's single mothers are older, have higher educational attainment, and have fewer children than their American counterparts.<sup>36</sup> Fewer births are to single mothers in Canada as well. In this regard, it is notable that the Canadian studies found that the employment increases among single mothers were statistically significant only among divorced and separated mothers.<sup>37</sup>

Finally, this study did not have an experimental design; it contrasts the experiences of younger and older mothers, the latter of whom were not eligible for the child allowance. That single mothers with younger children increased their work more than single mothers with older children did may simply reflect that something unrelated to child allowances was already pushing up the labor supply of mothers with younger children. The study's authors are explicit about this, saying,

We cannot dismiss the possibility that our estimates also capture a gradual change in the labour supply of all mothers with young children, relative to those with older children, driven by factors we are unable to separately account for in our analysis. If unobservable factors drove a relative increase in the labour supply of mothers with young children, the results presented here underestimate the negative effect of the UCCB on mothers' labour supply.<sup>38</sup>

**That Lit Review of Unconditional Cash Transfers.** Child allowances are close in spirit to a universal basic income, except they go to only children, and the proposals being considered phase out for the richest families. Nevertheless, child allowances and universal basic income are both forms of unconditional cash transfers. To many advocates, Marinescu's 2018 review of research on such transfers is

all you need to know about the obviously beneficial impact of child allowances.

Based on a review of five kinds of studies, Marinescu concludes, "Overall, the programs analyzed suggest either no effect on labor market supply or a slight reduction in work and earnings."<sup>39</sup> I will cover the three lines of research most relevant for the current policy debate.<sup>40</sup>

The first set of studies involves the randomized negative income tax (NIT) experiments that were conducted mostly during the 1970s. The NIT provided a relatively large guaranteed benefit to families, which was reduced as they earned additional income by an amount equal to a fixed tax rate on those additional earnings. Marinescu notes that single mothers were more responsive than husbands and wives were in the experiments, but she does not cite estimates for them, concluding that labor supply effects in the experiments were "generally not statistically significant, except for the largest experiment site, which saw a 4 percentage point decline in the employment rate."<sup>41</sup> In fact, among single mothers at that site, the employment decline of 8 percentage points was statistically significant.<sup>42</sup>

Even the effects at this largest site, according to Marinescu, are "likely exaggerated," though, "because NIT recipients underreported earnings in order to get a larger benefit payment."<sup>43</sup> However, the underreporting was found to be negligible for single mothers.<sup>44</sup> She also says the effects may be overestimated because the highest-earning people assigned to the NIT regime in the experiment (who received no actual benefit because of their high earnings) were more likely to leave the experiment. But that would primarily affect the estimates for married couples, since single-mother families have much lower incomes, on average.

Moreover, since the participants in the NIT experiments knew the study would last only a few years (up to five in the largest site), the longer-term effects of a permanent NIT would presumably have been larger than the study suggests.<sup>45</sup> I will return to the NIT research after discussing the rest of Marinescu's review.

Marinescu's second basis for concluding that additional income does not reduce employment much

comes from a study assessing the impacts after the Eastern Band of Cherokee Indians opened a casino in western North Carolina in 1996.<sup>46</sup> The casino provided semiannual dividends to all tribe members. The study found no effects on employment, despite the higher income. It offers no estimates for single parents, but its relevance for evaluating the impact of child allowance proposals is also weakened by features of the study design.

The paper's analysis indicates that parental employment was no lower among American Indian families after the casino opened than it was for such families before the casino opened or for non-Indian families in the area (who were not eligible for the casino dividend). That is *consistent* with the income from the casino dividend not lowering parental employment, but it is also consistent with the impact of an employment-reducing dividend being counterbalanced by employment-increasing economic development impacts of the casino. That is, the casino may have increased demand for labor (disproportionately for American Indian workers) at the same time that the dividend reduced the supply of labor among American Indian workers, leading to negligible changes in parental employment among American Indian children.<sup>47</sup>

And in fact, while not statistically significant, the paper's analyses indicate that mothers' full-time employment fell 9 percentage points. Given that the estimates are based on employment responses no more than four years after the dividend payouts started, the longer-term effects could be more significant, especially for single parents.

The third study that Marinescu considers is her own with Damon Jones, which examined the effects of the Alaska Permanent Fund Dividend.<sup>48</sup> Since 1982, Alaska residents have received an annual payout from a state-owned investment fund. Those have varied roughly between \$1,000 and \$4,000 per person in 2014 Anchorage dollars over the years. Jones and Marinescu found that the dividends had no impact on employment and increased part-time work by only 1.8 percentage points. Breaking out the effects separately by sex and marital status, the only sizable result was an increase in part-time work among married women. (They presented no results for single parents.)

The effects Jones and Marinescu estimate seem ambiguous, however, given their research strategy. They essentially model the counterfactual post-1982 Alaska where there are no dividends by using the post-1982 experiences of other states, based on a weighted combination of states' characteristics before 1982 intended to create an Alaskan doppelganger. The weighted combination of states, chosen by an algorithm, is different for each outcome they consider, and the results involve a high level of abstraction. For instance, in their analyses of part-time work, their procedures create a "synthetic Alaska" that mostly reflects the experiences of Nevada and Wyoming but with a smidgeon of Louisiana, Maryland, and Washington, DC. In their analyses of hours worked, synthetic Alaska is modeled mostly by Wyoming, Oklahoma, and Washington, DC.

More importantly, as noted in a subsequent study of the dividends from 2020, there were other relevant changes in Alaska around the time the dividends began, including a repeal of the state income tax in 1980 and the completion of the Trans-Alaska Pipeline System in 1977.<sup>49</sup> The difference between Alaska's outcomes and "synthetic Alaska's" outcomes could be driven by these other pre-1982 Alaska-specific factors.

Nor are their results obviously generalizable to the current child allowance proposals. Jones and Marinescu hypothesize that they do not find a disemployment effect because the dividend payments may stimulate the economy, increasing labor supply, which counters the effect of additional income in reducing the labor supply. As Jones and Marinescu note, the stimulative effect of something like a child allowance will depend on how it is financed.

The 2020 study that considered the dividends looked at work in the months following the dividend payment, taking advantage of the variation in the dividend amounts paid in different years. It found that an additional \$1,000 in the dividend payment reduced work in the subsequent months by 1.25 hours per week among women. That amounts to a decrease of 5 percent—an elasticity of  $-0.09$ . The authors do not estimate the effects on single parents or single mothers, but they do find that among women in the lowest third of wages, an additional \$1,000 in dividend

payments reduces work by two hours per week. Thus, the elasticity would be more negative for single mothers. And keep in mind that these elasticities apply to disemployment effects just a few months after the dividends are paid out.<sup>50</sup>

**Other Evidence: Back to the NIT.** A variety of studies offer reasons to worry that child allowances might significantly increase the number of nonworking single parents. As noted above, the NIT experiments found large employment declines among single mothers.

The Brookings Institution's Gary Burtless found that among single female heads of families participating in the experiment, hours worked fell by 17 percent.<sup>51</sup> Hours were self-reported and therefore potentially underreported, since participants had an incentive to understate their income to ensure they would get a large NIT benefit. But comparing self-reports to administrative records, this was found to be an important problem only in Gary, Indiana. For the Seattle and Denver sites, hours among female-headed families fell by 14 percent.

This estimate is not directly relevant for the current child allowance proposals for a few reasons. Most importantly, the guaranteed NIT benefit for nonworkers was much larger than the child allowances being considered today, and the NIT was more pro-work than today's proposals. Some commentators, such as Matt Bruenig and Matt Yglesias, have misunderstood this latter point, with Yglesias rather ironically saying that citing the NIT as relevant evidence is "embarrassing."<sup>52</sup> So it is worth an elaboration.

The NIT benefit was taxed away as participants earned more income, which disincentivizes work. A child allowance, being universal for all but the highest-income families, does not share this feature. However, people in the NIT experiment who were assigned to receive the NIT had their benefit taxed away at a lower rate than people who were not assigned to receive the NIT but could access AFDC or food stamps. Indeed, this was the whole point of the experiment; the flatter benefit reduction rate as people worked more was intended to promote employment (and did), and policymakers wanted to

see whether this effect would prove larger than the work-disincentivizing effect of giving people a bigger unconditional cash transfer (which it didn't).

While child allowances are not reduced with additional earnings, both the Democratic and Romney proposals would leave in place the vast majority of the current safety net, riven with programs that reduce benefits when participants earn more. The Romney plan would eliminate TANF, which also reduces benefits when earnings go up, but TANF's marginal tax rates are not an important influence on work, both because the program is relatively small today and because it has work requirements and time limits that render the marginal tax rates much less relevant. And as already mentioned, work would be disincentivized for some low-income families because the current ACTC is more pro-work than child allowances are (and due to other reforms Romney would make to other programs).

For purposes of assessing the child allowance proposals, the relevant evidence from the NIT experiments involves Burtless' estimate of the income elasticity of hours for single female heads of families. This estimate tells us the percentage change in hours worked for a percentage change in income from the NIT benefit. Importantly, this income effect holds constant the change in the attractiveness of work due to the NIT's lower benefit reduction rate versus the safety net that would otherwise be on offer. Since it is expressed in terms of percentage changes, the income elasticity eliminates the issue that the size of the NIT benefit was larger than the child allowance would be, and since it nets out the impact of benefit reduction rates, it is applicable to today's proposals despite the latter not changing those rates much.

Burtless estimated the income elasticity at  $-0.18$ , indicating (roughly) that a 10 percent increase in income from the NIT benefits led to a 1.8 percent decline in hours worked among female heads of households with children. We can apply this estimate to contemporary figures for single-mother families to get a rough estimate of the potential impact of child allowances on their employment. Data from the Current Population Survey indicate that single mothers have an average of roughly 1.8 children under age 18



in their home. I estimate the average single-mother family would receive \$500 per month from the child allowances, or \$6,000 per year, given the mix of younger and older children they have and the more generous benefit for younger children. That ends up being about 16 percent of the median family income of female-headed families with children. The Burtless elasticity estimate suggests that this 16 percent increase in income would lead to a 2.7 percent reduction in hours worked.<sup>53</sup>

A 2.7 percent decline in hours worked is equivalent to a reduction among single mothers in the Current Population Survey of just one hour per week per worker. But rather than thinking of all single mothers working an hour less, we might worry instead that work would not decline among those who stay employed but that the employment rate of single mothers would fall by 2 percentage points, which would also produce that 2.7 percent drop in hours.<sup>54</sup> This magnitude may still seem small to many readers, but the number of single mothers contained in those 2 percentage points is sizable relative to the changes in poverty the child allowance proposals would supposedly produce. If it reduced the share of single-mother families under the official poverty line by one-third, that would be 892,000 families; a two-point drop in employment would involve 167,000 single-mother families, about one-fifth as large.<sup>55</sup> It would also be equivalent to 17 percent of the increase in employment among single mothers over the 30 years from 1989 to 2019.<sup>56</sup>

This conclusion, it turns out, is fairly consistent with what one would draw from the NAS modeling of the likely effects of a child allowance. The NAS committee modeled the effect of child allowances as first reducing employment by a certain amount per percentage increase in income and then reducing hours among those remaining employed by a certain amount per percentage increase in income. The two elasticities for single mothers on which they rely together imply a reduction in aggregate hours worked that is only 12 to 13 percent lower than the reduction implied by the Burtless estimate.

However, as Burtless notes, the NIT experiment lasted only a few years, and participants knew that. A

permanent NIT benefit likely would have had stronger effects, and the same is likely to be true of a permanent child allowance. Burtless cites evidence from another NIT study that found that in the fifth year of the experiment at the sites that lasted that long, single mothers worked 32 percent less than did their counterparts who could not receive NIT benefits—over twice as large an effect as the one for the entire experiment period.<sup>57</sup> That would imply something like a 4 percentage point drop in employment among single mothers, or one-third of the three-decade increase since 1989.

**Other Evidence: Welfare Reform.** A number of studies attempt to determine the effect of the state and federal welfare reforms of the 1990s on the employment of single mothers. If welfare reform, including its work requirements and time limits, increased work among single mothers independently of the impact of other policy changes and the 1990s expansion, then repealing welfare reform would cause some single mothers to move to nonwork. Welfare reform, in that sense, can be considered as the opposite of the introduction of a child allowance.

To the extent that welfare reform increased work among single mothers—and it almost surely did—some of the biggest advocates for child allowances appear to believe that rather than an income effect being the most important factor (reduced access to benefits and declining real benefits make nonwork less affordable), instead the substitution effect was what really mattered. The work requirement increased the return to work among would-be beneficiaries who would have otherwise not worked enough to satisfy the requirement. Reduced benefit reduction rates allowed mothers combining work and welfare to retain more of their earnings. Time limits increased the longer-term return to work among would-be beneficiaries because once the limit is reached, there is no benefit to reduce with additional work.

If the increase in work among single mothers after welfare reform was caused primarily by a substitution effect, child allowance advocates say, then evidence on welfare reform is irrelevant to projecting the effects of a child allowance.<sup>58</sup> Behind this view of

the importance of substitution effects is the idea that what really kept AFDC recipients from working was the high implicit tax on earnings they faced when they did work. However, as noted safety-net scholar Robert Moffitt has observed,

most of the positive [employment] effects of [welfare reform] were the result of moving single mothers off welfare, not from increasing work incentives for those on the program. The reductions in the BRR [(benefit reduction rate)] that accompanied the law have not resulted in high levels of work among remaining beneficiaries, among whom only about a third worked in 2013, and that was probably more because of work participation requirements than low BRRs.<sup>59</sup>

This pattern of only minimal increases after welfare reform in the number of single mothers combining welfare benefits and work and a large increase in the number of single mothers employed but not receiving welfare benefits is not incompatible with substitution effects being important, but it suggests that the income effect of a less generous program was the dominant factor. And, conversely, that implies that the income from the AFDC program—as minimal as it might seem to middle-class readers—caused many beneficiaries to work less or not at all. The increase in income from child allowances would be of comparable magnitude.<sup>60</sup>

A small number of studies attempt to tease out the effects of welfare reform on employment from other factors such as the expansion of the earned income tax credit and the 1990s economic expansion.<sup>61</sup> They generally found that welfare reform had an important independent effect. For instance, Hanming Fang and Michael Keane attempt to explain the 11.3 percentage point increase in the employment rate of single mothers between 1993 and 2002. They found that while the earned income tax credit expansion and falling unemployment were the most important factors, work requirements and time limits together accounted for 27 percent of the rise.<sup>62</sup> That amounts to their increasing employment by 3.1 points, or a 4.5 percent increase. For reference,

that 3.1 point rise was more than employment had risen between 1978 and 1993, and it never rose by that much from its 2002 level.<sup>63</sup>

These analyses of the initial impact of welfare reform on employment are less relevant for assessing the longer-term impact of welfare reform, and they arguably overstate the importance of the economy. The employment rate of single mothers was 59.7 percent in 1993.<sup>64</sup> If the business cycle were a primary driver of the employment rates of single mothers, we would have expected those rates to fall nearer to early 1990s levels during economic downturns. But employment among single mothers saw a post-welfare-reform low of 62.9 percent in 2011. That was higher than in every year before 1996.

The employment rate reached a peak in 2000, at 71.5 percent. In 2019 it was 70.1 percent. The improvement was greatest among the least-educated single mothers and never-married mothers.<sup>65</sup> It was also much greater for single mothers than for married mothers, and employment among working-age single childless women fell.<sup>66</sup>

The overall unemployment rate was roughly the same in 2003 as in 1994, but employment among single mothers was 68.7 percent rather than 58.9 percent. Unemployment in 2010 was at its 1983 level, but 64.5 percent of single mothers were employed compared with 53.6 percent in 1983.<sup>67</sup>

### **Other Evidence: Introduction of Food Stamps.**

Additional evidence on how a new child allowance would affect employment among single mothers comes from a paper by Hillary Hoynes and Diane Whitmore Schanzenbach that considered how the rollout of the food stamp program across the country during the 1960s and early 1970s affected work.<sup>68</sup> They find that by the mid- to late 1970s, availability of food stamps reduced employment among single mothers by about 4 percentage points. Given that not all single mothers were eligible for food stamps, this understates the impact of a universal program like child allowances. Under the strong assumption that single mothers who did not enroll in food stamps (whether eligible or not) would have reacted in the same way that those who did enroll reacted, Hoynes and Schanzenbach

estimate that the decline in employment would have been 11 or 12 percentage points.

These effects were not statistically significant, though they found statistically significant declines in hours worked. The study considers employment only through 1978, so it would not be able to capture any longer-term effects due, for instance, to greater normalization of food stamp receipt over time, especially in communities where poverty is concentrated.

As with welfare reform, the introduction of food stamps provides only a rough approximation of the potential impact of child allowances for several reasons, one of which is that the substitution effect may have reduced work more than it would under the child allowance proposals. Some single mothers in the Hoynes and Schanzenbach study may have chosen to work less simply because once food stamps were available and benefits were reduced due to earnings, it made less sense to work. However, the fact that the return to work was already relatively low for single mothers receiving AFDC might have meant that a lot of single mothers were already dissuaded from working before food stamps were introduced.

In short, even the relatively short-term studies reviewed here provide reason to think that the introduction of child allowances could reduce employment rates among single mothers by 3 or 4 percentage points, and they are not well designed to assess longer-term effects. The research that has been cited to dismiss concerns about disemployment hardly should be reassuring. The correct interpretation of the evidence available is that it is ambiguous; different people with different priors can point to this or that study if they are intent on asserting a claim about the impacts of a novel program, but strong statements are not justifiable based on a comprehensive assessment of the literature.

### **Would Child Allowances Increase Single Parenthood?**

If child allowances would make it easier for single parents to get by without working, that would be expected to increase the number of single parents.

The NAS modeling assumed that none of the policies they considered (including child allowances) would affect marriage or fertility decisions. The committee justified this decision by saying that the literature was limited, that “estimates from this research are much more tenuous and variable than those for the effects of programs and policies on labor market behavior,” and that “more often than not, no statistically significant responses are found.”<sup>69</sup>

In a recent paper I coauthored with Rachel Sheffield, we also concluded the literature is ambiguous (though our read was not that the effects found usually fail to achieve statistical significance).

An early literature on AFDC indicated that the generosity of benefits had no effect on marriage and fertility. However, that conclusion weakened as researchers subsequently produced stronger evidence. . . . Though the studies were hardly definitive, by 2003, the leading expert, Robert Moffitt, concluded in a review of the AFDC evidence that, “although there is still considerable uncertainty in the literature and there remain a large number of studies reporting insignificant estimates, this reading of the literature leads to the conclusion that welfare is likely to have some effect on family structure.” . . .

. . . Reviews of the research on state waivers and TANF have also found mixed evidence. . . .

. . . Because so many reforms in the 1990s occurred at once (both within AFDC and TANF and in other safety net programs), it is difficult to tease out the effects of individual reforms or combinations of reforms, though a number of waiver experiments were evaluated using randomized controlled trials. They, too, produced mixed results.<sup>70</sup>

In short, this research question is also difficult to answer convincingly, and designing research that can speak to potential long-term effects of a novel policy is even more challenging. Conservative poverty researchers cannot point to definitive evidence that affirms their fears, but nor can researchers point to definitive evidence that justifies their indifference to these fears.



In a recent essay, my AEI colleague Lyman Stone claims, “Romney’s proposal will not create more single parents but do quite the opposite.”<sup>71</sup> He arrives at this conclusion by comparing how parents at different income levels fare depending on whether they are married, under the status quo and the Romney plan. To the extent that marriage provides more income than single parenthood does under the Romney plan than under current policy, Stone assumes that more people will choose marriage. And because the Romney plan does increase the return to marriage in this sense, Stone says there is nothing to worry about.

This analysis reprises the strange blind spot of child allowance advocates who focus on the extent to which safety-net benefits do or do not alter the return to work, rather than on the income effect of benefits. The commonality is the assumption that everyone wants to work or to marry or stay married to their partner. If true, safety-net benefits cannot disincentivize employment or marriage except by making it more difficult to work or get married.

But the concerns of conservative antipoverty researchers are primarily about income effects. We worry that safety-net policy might make it easier for parents to not work or to be single. Stone’s analysis is oblivious to income effects because he assumes away the complicated preferences and messy lives of real-life parents. (Stone recognizes the distinction between substitution and income effects when he discusses work incentives in his piece, though his analysis there similarly neglects income effects.<sup>72</sup>)

In terms of the long-term effects of government benefits on single parenthood, it is worth considering time trends as evidence. Sheffield and I showed that the value of safety-net benefits available to single mothers increased 150 percent from 1940 to the mid-1970s and by about two-thirds between 1960 and the mid-1970s. It then dipped through the early 1980s but remained elevated at about early 1970s levels thereafter.<sup>73</sup> Meanwhile, the nonmarital birth rate rose sixfold from 1940 through the early 1990s, with an especially steep increase starting in the mid-1970s.<sup>74</sup> But the rate has trended downward modestly since the early 1990s, with a temporary increase during the 2000s. That acceleration (and its plateau) lags the

large rise in the value of the safety net (and its plateau) by 15 to 20 years.

The plateauing and decline in the nonmarital birth rate around the time states began experimenting with welfare waivers and calls for welfare reform grew louder stand in contrast to the trend for marital births. Birth rates for married women fell from 1970 to 1996 but then rose. And the decline in the nonmarital birth rate was largest among demographic groups that were most likely to receive welfare benefits.<sup>75</sup>

Similarly, the teen pregnancy rate, at its 1990 peak, was 22 percent higher than in 1973, but it fell by 63 percent from 1990 to 2013.<sup>76</sup> I know of no research that convincingly connects these trends to welfare reform, and the trends began years before the 1996 federal law passed. Nevertheless, they represent two dramatic improvements from the pre-welfare-reform era that, at the very least, we should be concerned about upsetting with a major new safety-net policy.<sup>77</sup>

## How Well Have We Done Reducing Child Poverty?

Left with significant ambiguity as to the likely effect of child allowances on work and single parenthood, how we respond to this lack of clarity should be dictated by (1) how current policy is doing reducing child poverty and (2) what alternatives to child allowances exist that would reduce poverty.

Taking the first of these considerations, conversations around the child allowance proposals have seemed to occur with the shared assumption that our current antipoverty policy is horrendous. While we can and should strive to reduce child poverty further, there are enormous misperceptions about how well our policies have done to date.

To begin with, the differences between the child poverty rates in the US and in other Anglosphere countries that have child allowances are smaller than many imagine. According to analyses conducted for the NAS committee, in 2013, 12.5 percent of children were poor in the US versus 13.5 percent in the UK, 11.3 percent in Ireland, 10.3 percent in Canada, and 8.1 percent in Australia. The share under 150 percent

of the poverty line was higher in the UK and Ireland than in the US.<sup>78</sup> Thus, despite having more lone parents than these peer countries have, the US has similar child poverty rates.<sup>79</sup>

We have also made enormous progress reducing child poverty. This is often obscured because analysts ignore changes in tax burdens and cohabitation and the substantial part of our safety net that involves noncash transfers and tax credits. And most analyses overstate inflation, which makes the poverty line an ever-rising real standard for families to transcend.

I attempted to address these shortcomings on the 20th anniversary of welfare reform and found that, even among children in single-parent families, poverty fell steadily between 1982 and 2014, but especially between 1993 and 2000. The poverty rate for these children was already at an all-time low in 2014, but the official poverty rate suggests that it fell another 8–10 points between 2014 and 2019. That suggests that, using the official 1996 poverty thresholds and adjusting them for the cost of living, poverty among the children of single mothers fell from close to 50 percent in 1982 to about 40 percent in 1993, 30 percent in 1996, and roughly 15 percent today.<sup>80</sup> Bruce Meyer and James Sullivan found a similar trend.<sup>81</sup>

Expansions of the safety net played a role, but economic growth and pro-work reforms to the safety net have been of primary importance as well. One 2014 study by the Congressional Research Service showed that the poverty rate for single mothers in 2013 was lower than in the mid-1990s, even if the 2013 rate excludes from income all transfers but unemployment benefits while the mid-1990s rates include income from all cash transfers.<sup>82</sup> That is to say, the drop in poverty is apparent even before taking into account the expansion of food stamps, the earned income tax credit, and disability benefits or the creation of the child tax credit. Poverty rose less during the past year's sharp recession and during the deep Great Recession than it did in the recessions of the early 1980s and 1990s.<sup>83</sup> Our antipoverty policy supports work (though it could do more) and serves as an effective safety net.

When welfare reform passed, many critics feared the new law would reduce welfare caseloads at the

expense of child poverty, even if employment rates rose. I was among those critics, and the first research project I undertook in graduate school, in 2000, involved a paper with Christopher Jencks looking at trends in food hardship.<sup>84</sup> Several studies had already found that the incomes of single mothers had tended to increase in the years after welfare reform. But that was true of a lot of people during the economic boom of the 1990s.

Moreover, while employment had risen among single mothers, so, too, had work-related expenses such as childcare and transportation. Other safety-net reforms during the 1990s had increased funding for childcare and expanded refundable tax credits for low-income workers, but these might not have been enough to leave single mothers on the whole with greater discretionary income. But if the rise in income masked a fall in discretionary income, that would be expected to show up in an increase in food hardship.

But food hardship became rarer among families headed by a single mother between 1995 and 2001, when surveys consistently measured it. In April 1995, 57 percent of lone-mother families indicated they'd had to stretch their food supply due to insufficient funds at least once over the preceding 12 months, but in April 2001 that figure had fallen to 46 percent. And that improvement did not seem to simply reflect the stronger economy; the decline in food hardship was stronger among lone-mother families than it was among married-couple families.

Our conclusion has only been reinforced since; 48 percent of mother-only families had to stretch their food to make it go further in December 2001, which may have been an increase since April of that year but may have simply reflected seasonal fluctuations. Compare that rate with 44 percent in December 2007, on the eve of the Great Recession, and 42 percent in December 2019.<sup>85</sup>

There is a limited research literature looking at the extent to which welfare reform played a causal role in reducing poverty, but it is plagued by incomplete measures of income, designs that cannot disentangle welfare reform's effects from other policy changes, and designs that focus on single mothers who leave the welfare rolls (ignoring those who were diverted

from joining the rolls).<sup>86</sup> In one careful study, the Center on Budget and Policy Priorities, one of the most vocal groups critical of welfare reform, found that from 1995 to 2005, private income gains more than made up for losses of welfare benefits for all but the poorest fifth of single-mother families.<sup>87</sup> Only the poorest 10th ended up with lower incomes in 2005 than in 1995, though the study did not take account of expanded health insurance benefits.

### What Other Options Do We Have?

The past 25 years provide a guide for policymakers who wish to reduce child poverty. During this period, policies encouraged a greater connection to work among single parents, so that they could benefit from the economic growth that lifts the incomes of all working Americans. These policies did so by increasing the generosity of government benefits that went to lower-income Americans who worked and imposing work requirements and time limits on beneficiaries of cash assistance. These two approaches are complementary and should continue to be pursued together.

An underappreciated feature of welfare reform is the way it exempted the most vulnerable from work requirements. The federal law required that states have a minimum percentage of TANF beneficiaries participating in work activities, but states could count caseload declines toward that work requirement. Since the welfare rolls fell so much, states were under less pressure to demand work from the remaining beneficiaries. The work requirement “worked” by convincing beneficiaries to leave or not join the rolls in the first place.

Further, states can exempt a sizable share of the caseload when calculating their work participation rates. Similarly, states have a variety of ways to exempt beneficiaries from time limits. These features have sheltered many of the most vulnerable families from the tougher aspects of welfare reform.

Policymakers ought to experiment with more work requirements and time limits in other safety-net programs, protecting the most vulnerable through exemptions while monitoring impacts on employment,

income, and poverty. With work requirements and time limits in place, safety-net programs could be made more generous, since the risk of encouraging long-term dependency and otherwise incentivizing mobility-impeding behavior would be much lower. The safety net would be more temporary for most people in this reimagining but more generous while people need it. And it would likely be popular with the public, who overwhelmingly support conditioning benefits on work.

Work requirements and time limits would also strengthen the case for making it easier for eligible people to enroll in safety-net programs, rather than having to navigate an unduly complex system that sometimes goes to great lengths to make applying for benefits difficult. TANF, for instance, has become too difficult to access in some states. Policymakers could require states to meet a caseload adequacy requirement tied to a minimum ratio of TANF recipients to families with children in poverty.

We also should consider expansions to programs that increase the return to work, such as the earned income tax credit and the child tax credit. These expansions could better promote work, and to the extent that they can be designed to promote marriage as well, so much the better. Addressing marriage penalties in the earned income tax credit could be the most effective way to mitigate the marriage disincentives in means-tested benefit programs. For instance, the benefit schedule for married parents with three or more children could be used for all married parents, and the schedule for single parents with two children could be used for single parents with three or more children. The child tax credit could be expanded more for married couples than for single parents.

Other reforms could shift the timing of when these work supports are received. My colleagues Katharine Stevens and Matt Weidinger have proposed allowing parents to receive the child tax credit payments they would receive over their son or daughter’s childhood all at once in the child’s early years.<sup>88</sup> This could help parents during an especially expensive period of child-rearing.

Other policy reforms could address the poor health of many low-income, nonworking Americans



while expanding access to employment among disabled Americans who would prefer to work at least part-time.<sup>89</sup>

Our safety net also could be reformed to promote upward mobility in other ways. As poverty has fallen impressively over time, upward mobility rates out of poverty have stagnated or worsened<sup>90</sup>—and that could actually be an indictment of the current safety net with its perverse incentives. Given that these two trends have looked very different over the past 50 years, reducing poverty on its own is not likely to be an effective way to increase upward mobility.

Promoting work and encouraging marriage should be two goals, but there are other ways to increase child opportunity through safety-net reforms. The Supplemental Security Income (SSI) program incentivizes parents to have their children diagnosed with learning disabilities or mental health disorders to receive benefits. For some children, this will put them on a path in school that is unlikely to maximize their potential. Further, many children who receive SSI benefits graduate into the SSI program for adults, which reduces their own work and their ability to build human capital and obtain work experience.

Housing assistance could be shifted more toward vouchers to promote choice, and priority for vouchers could be given to those who agree to move to mobility-promoting neighborhoods if they are given counseling to help them select from their options. Research by Opportunity Insights suggests that such counseling can prove effective.<sup>91</sup>

Thinking bigger, a thoughtfully designed baby bond program could help families afford the cost of higher education—effectively increasing disposable income while promoting child opportunity. Of course, a baby bond program, too, would have to grapple with work and marriage disincentives, but these risks could be lessened by restricting the use of the funds to higher education or other forms of investment and perhaps setting other conditions for grown children to access them.

Because we have made impressive progress in reducing child poverty, even as we have failed to increase upward intergenerational mobility out of poverty and even as the associational life of low-income

families has deteriorated,<sup>92</sup> we should not prioritize point-in-time child poverty rates over these other forms of entrenched and social poverty. Solving these other problems will likely require different policies than we might pursue if we only, shortsightedly, cared about minimizing this year's child poverty rate.

## Conclusion

We have come a long way since the time when an American president understood that a war on poverty was not simply a matter of reducing the number of people living below an arbitrary living standard created by a federal budget office memorandum. That president noted:

Very often a lack of jobs and money is not the cause of poverty, but the symptom. . . .

Our aim is not only to relieve the symptoms of poverty, but to cure it and, above all, to prevent it.<sup>93</sup>

This from the very State of the Union address in which Lyndon B. Johnson declared war on poverty in January 1964. Later that year, he elaborated:

We are not content to accept the endless growth of relief rolls or welfare rolls. We want to offer the forgotten fifth of our people opportunity and not doles. . . .

Our American answer to poverty is not to make the poor more secure in their poverty but to reach down and to help them lift themselves out of the ruts of poverty and move with the large majority along the high road of hope and prosperity.<sup>94</sup>

In the past 30 years, American antipoverty policy has achieved unprecedented success in lowering child poverty. Opportunity, as measured by either stubbornly low upward intergenerational mobility or across-the-board declines in associational life, has failed to increase. We should strive to reduce child poverty further, but it matters how we do so. Reducing this year's poverty while exacerbating entrenched poverty and reversing the progress we have made

since welfare reform would be a hollow victory indeed. So much the worse if a child allowance leads to irresistible calls for a universal basic income, which would also increase nonwork among the childless.<sup>95</sup>

Child allowances might prove to be all upside, lowering poverty without any significant unintended consequences. It is easy to imagine that the New Dealers who created AFDC thought that might be the case then too. Instead, they created a program that incentivized behavior that was contrary to upward mobility and offended deep-seated norms of reciprocity and that was detested as a result.

If a child allowance were the only way to reduce child poverty, then perhaps it would be worth rolling

the dice. But we have many other options that would reduce poverty while encouraging opportunity and reinforcing values held by Americans at all income levels. We can do better than child allowances.

### About the Author

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# Notes

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38. Koebel and Schirle, "The Differential Impact of Universal Child Benefits on the Labour Supply of Married and Single Mothers," 50.
39. Marinescu, "No Strings Attached," 2.
40. In addition to the three lines of research discussed here, Marinescu cites two studies of lottery winners and some evidence from unconditional cash transfer experiments in developing countries. Marinescu devotes little space to them in the review, though she does note that the lottery studies seem consistent with the negative income tax research. Marinescu, "No Strings Attached."
41. Marinescu, "No Strings Attached," 2.
42. Robins, "A Comparison of the Labor Supply Findings from the Four Negative Income Tax Experiments."
43. Marinescu, "No Strings Attached," 7.
44. Gary Burtless, "The Work Response to a Guaranteed Income: A Survey of Experimental Evidence," in *Lessons from the Income Maintenance Experiments: Proceedings of a Conference Held in September 1986*, ed. Alicia H. Munnell (Boston, MA: Federal Reserve Bank of Boston and Brookings Institution, 1986).
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47. A footnote from a second paper by most of the same authors reports that the causal effect of being eligible for the casino dividend (i.e., having an American Indian parent and being observed after the casino opened) was \$3,900 in additional household income per year. They cite that as evidence that labor force participation was not affected by the additional income, since the dividend typically amounted to \$4,000 per year. But that dividend amount is a per-person amount, while the \$3,900 is a change in household income. Depending on how common it is for children to have two American Indian parents present rather than one, that is consistent with a fairly large disemployment effect. That said, the authors also report that practically no one in their sample was employed in the gaming, entertainment, or hospitality sector over all the years the study has encompassed. See Randall Akee et al., "Young Adult Obesity and Household Income: Effects of Unconditional Cash Transfers," *American Economic Journal: Applied Economics* 5, no. 2 (April 2013): 1–28, <https://pubmed.ncbi.nlm.nih.gov/24707346/>.
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70. Winship and Sheffield, *The Demise of the Happy Two-Parent Home*, 48–49.
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