THE RESTORATION OF THE AMERICAN DREAM: A CASE FOR ABOLISHING WELFARE

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I. Introduction

For all too long the government of the United States has been dreaming a very long and costly dream. In this dream, the government is the ultimate hero, battling poverty. But like all other dreams, this one is not what it seems. The ideals of the welfare state are, in fact, a nightmare of economic and social decline. It is time to restore the values upon which this country was founded. It is time to abolish the welfare state.

In the past sixty years welfare has grown rapidly. In the midst of the Great Depression, New Deal programs emerged granting "entitlements" to those facing financial challenges due to old age, disabilities, or unemployment (Berkowitz, 1991, 91). In 1953 the Department of Health, Education, and Welfare was founded under the Eisenhower Administration. The 1960s saw the initiation of the Office of Economic Opportunity and the passage of the first anti-poverty bill (Gilder, 1981, 111-112). These programs formed the foundation for current social spending policies. If one extrapolates from past experience, welfare spending will explode to eight percent of the federal budget by the year 2005 (Gleckman, 1995, 123). Since the War on Poverty alone, such spending has cost the American taxpayer more than 3.5 trillion dollars (Tanner, 1994, 1).

II. Dependency Promotion, Not Capitalist Greed

But the cost is even more obscene when we examine the reason for these programs. One argument is that it is inhumane to ignore poverty. Those who oppose these government disbursements are viewed as cold-hearted capitalists who wish to sentence the poor to a life of disadvantage and even starvation. Interestingly, the public officials and public employees who hold this view make their living by keeping people on welfare. For example, in 1978 the US Department of Health, Education, and Welfare had 153,000 employees and a budget of $63 billion, while state and local governments employed 364,000 people as welfare workers who earned $4.2 billion in salaries (Bartlett, 1981, 51). Moreover, for Congressmen of low-income districts, there is a great incentive to promote further legislation in order to secure votes (Pasour, 1991, 210). These politicians and administrators, because they are compensated for keeping people on the dole, are sometimes dubbed "poverty pimps." In light of this, there is a serious question as to whether welfare benefits the poor, or those responsible for its administration.

In fact, the state has reduced the chances of prosperity for the poor by keeping them dependent. In a welfare state, the government is a type of Robin Hood, only far worse because it steals from both the rich and the poor. It has robbed welfare recipients of the experience of self-respect, dignity, and productivity that results from working for income. It has kept them truly becoming a part of the community in which they dwell. The working American has been robbed of his hard-earned pay.

The state's relationship to welfare recipients can be compared to a master and his slaves. The owner provides food and shelter for his slaves. Some, at the "benevolent" hand of their master, even learned a skill or received an education. Thus, for many, the incentive to escape was lower than otherwise. In like manner, by administering welfare, the state reduces the adversity poor people face by providing them with public housing, food stamps, education, and job training. The incentive to find employment and truly experience freedom is diminished. Both the slave and welfare recipient are sustaining life, but neither is living up to his full potential.[1] For this reason, welfare appears more harmful than humanitarian.

How well has the government succeeded in its bondage of the poor? From 1950 to 1976, welfare spending (corrected for inflation) increased by 41.4% a year. Yet, during this time, the total number of people on the dole increased fivefold, going from 2.2 to 11.2 million (Rothbard, 1973, 143). Finally, in 1991 spending increased to a whopping 1.1 trillion dollars (Browne, 1995, 121). These statistics suggest that increased spending to better the lives of the poor, only creates greater dependency.

III. Counterproductive Incentive Effects

But this trend is greater than revealed by mere statistics. As the citizens of this country become unproductive welfare recipients, their values change. The concept of private sacrifice for future gain becomes all but obsolete, at least for the poor. Why should one work, stay in school, or get married, when various entitlements will be granted if one does not do these things? Under the current system, the divorcee with children receives cash payments from AFDC. The unwed teenage mother receives funded housing and independence from parents. The high school drop-out receives guaranteed federal job training and placement. Welfare does not reward people for hard work, but rather eliminates the incentive to work hard.

The tax effects of income transfers flow in the same direction. Income transfers, like marginal tax rates, diminish incentives to enter the labor force (Bartlett, 1981, 45). For example, if a family on welfare decided to better itself by earning additional money, the tax rate on this added income would be so high as to make those working want to stop. Unemployed workers save not only the taxes, but work-related expenses as well, such as child care and transportation (Bartlett, 1981, 45).

For a family on the dole, the cost of working is all too often greater than the benefits. For example, in Hawaii, the wage equivalent of welfare is up to $17.50 per hour. Currently, there are eight states of the union providing benefits of more than $20,000 a year (Tanner and Moore, 1995, A20). As a result, families bordering on poverty typically prefer to collect a taxpayer handout. It is hard to see how further spending will improve matters.

Income transfers, which catapulted in the mid 1960s (Murray, 1984) have greatly transformed the family and hindered advancement through the generations. Consider the effects of this program on black families, in particular. In New York City, in 1925, 85 percent of black households were double-headed. In 1950, 72 percent of black men and 81 percent of black women were married. As of 1992, however, a majority of black children, 54 percent lived in female-headed households (Williams, 1996, 13). Social spending has obviously eroded family values.

Then there is the case of immigrants. Entrants into this country, such as Jews, Irish, Italians, Poles, and Germans, all of whom held little wealth at the turn of the century, had surpassed American Protestants in per capita earnings by World War II (Gilder, 1981, 11-12). At this time the dole was minimal. Individual drive determined income and success. Since social programs have increased, the advancement of recent immigrants is much more infrequent. Some 785,000 resident aliens collect US Supplemental Income payments and about 550,000 received payments from AFDC in 1995 (Pearson, 1996, 41). For the liberals who claim this is because the American dream no longer exists, there is only one answer: eliminate welfare, turn back the clock, and the result will be economic and social growth for all.

IV. High Time Preference for the Present

Obviously, class status and long-term advancement have little to do with initial income. Rather, the value system and mindset of the group is critical in determining success. From this perspective, people bound for the upper and middle classes tend to be more self-disciplined and concerned with the future. Members of the lower class are concerned with the present and less likely to hold down a job (Rothbard, 1973, 151). In light of this, government attempts to redistribute income to the poor are ineffective. Only laissez-faire capitalism provides the economic competition necessary for the best allocation of resources (Sowell, 1974, 17). Characteristics which aid in advancement, such as self-respect, pride, and motivation, cannot be bought with money. At the dawn of the industrial revolution, those who made great fortunes were not of high society but often self-made men who rose from modest circumstances (Weber, 119). Success stories such as these, so common to nineteenth century England, are greatly reduced by the mass transfer payments of twentieth century America.

These financial transfers have also had staggering effects on the economy. Long term national wealth can only be maintained when adequate portions of income are saved. These savings, critical to a capitalist economy, have been on the decline since the mid-nineteen sixties. US savings as a proportion of GNP dropped to under four percent in 1979 (Gilder, 1981, 113). Money which is spent on welfare, needless to say, is money diverted from investment for tomorrow's economy.

Consider the food supply of a family. Suppose the children arrive home from school famished and they spot a jar full of cookies. All afternoon the youngsters eat these goodies. In the same way, welfare spending eats up the nation's supply of savings, leaving little for capital investment. But while it is acceptable for children to depend on the "cookies" of their parents, it is quite another thing when adults depend on the productivity of others. The economy will become as empty as the cookie jar if only part of the nation consistently contributes, while others engage in parasitism.

V. "Social Justice" is Uneconomic

Other industrialized nations which have concentrated on so-called "equity" are experiencing poor economic conditions as well. Consider the effects of social spending, specifically unemployment insurance, in Europe. There, taxes average more than 40 percent of GDP, much of which goes to pay for their swollen social programs. Double-digit jobless rates are the norm even in boom years. The safety net of benefits that exists stifles productivity, making it too expensive to hire and fire (Branegan, 1993, 52). A similar situation exists in Canada. With unemployment insurance levels triple the rate which occurs in the US, it is no wonder that Canadian unemployment rates traditionally exceed those of this country (Anderson and Meyer, 1993; Green and Riddell, 1993; Block, 1993).

Expenditures on social programs have also indirectly effected the level of inflation in the United States. The price increases of the seventies can be linked to the large government spending of the sixties, since the resultant debt was monetized. In contrast, the heavy tax cuts that occurred under the Reagan administration led to the boom of the 1980s and a quick recovery of the stock market drop in 1987 (Vedder and Gallaway, 1995, 40). In a nation where big government is the rule, economic problems are the result. Since the Reagan Administration, however, increased social spending and attempts to redistribute income, aspects characteristic of socialism, have become the norm. The economic collapse of the Soviet Union shows that moving toward a socialist state is a grave mistake. Have we learned nothing from this debacle?

VI. Private Charity and Capitalism

It is evident that the government's history of transfer payments has had only adverse effects. Welfare should be supplanted by private charity. The reason for this is twofold. First, dismantling public programs in the past has poured billions of dollars back into the private economy. Secondly, private charities which aid the poor are generally more humane, better distributed, and more effective than federal programs (Murray, 1984, 230).

Charity appears in many forms and its decline has been simultaneous with increased public programs. Today the government has replaced brotherly love. For example, rarely does one see neighbors caring for neighbors or children caring for parents. Why should people support their loved ones if they already have paid taxes for Social Security benefits and Unemployment Insurance? In this way, transfer payments have contributed to the breakdown of neighborhoods and families, with a resultant increase in crime. These funds are presumably granted in order to create a more just and humanitarian society. But instead, resentment is created.

Before the New Deal, over half of all aid to the poor came from private charity. Within fifty years, this figure had dropped to less than one percent (Gilder, 1981, 112). However, this change does not relfect an unwillingness of people to help. Rather, it indicates that government taxation has increased so much, people do not take home enough of their pay to give to others. If the state were to relinquish the welfare business, voluntary charity would increase. Combined with volunteer

work and cash donations, the citizens of this country already contribute more than $300 billion dollars a year (Tanner, 1996, 12). If welfare programs were to decrease, so would taxes, and an increase in the net pay of Americans would result. With this increased income, there is little question but that private giving would surge (Gilder, 1981, 41).

Where charity abounds, capitalism flourishes. While there are to be sure some disadvantages, it is the best way to aid the poor without government intervention. Charity works because it is characterized by individualism and volunteerism. Consider the differences between aid from government and from a specific donor. An individual bears the cost of his own donation, whereas a government relies on the compulsory taxes of its citizens. The individual is more likely to carefully select the recipient of aid and in this way tends to insure that the generosity is not being abused. Private charity is more apt to get to the roots of poverty, because it does not benefit to the same extent from the dependency of the poor (Pasour, 1991, 210-211). Further, the recipient realizes that the donor has gone out of his way to help. Often, the beneficiary is asked to personally thank the benefactor. There are no "welfare rights" here. This process has a sobering effect upon the recipient.

There are many examples of the success of charity. For example, nineteenth-century capitalistic England saw its poor aided by groups such as the Charity Organization Society (Rothbard, 1973, 155). This group not only provided short-term food and housing but also made long-term, beneficial changes. Those who were undeserving, or outright lazy, did not receive aid until they changed the error of their ways.

In our own century and in our own nation, there are numerous successful cases, most significantly religious ones. Many groups, both Christian and Jewish, organize charities which give to the poor both inside and outside of their own communities. The Church of the latter-day Saints shows how eliminating poverty starts at home. Because poverty is just as much a state of mind as it is an economic condition, Mormons are taught how to be economically independent