

How we treat ourselves

MOST DECEMBERS the newspapers have a story about some family that has suffered some kind of disaster: a burglary where all the Christmas presents are stolen; a fire leaving the family homeless; or a medical crisis leaving a family suddenly destitute. And a few days later, we can usually read about the outpouring of gifts and kindness on the beleaguered family. Stories like these are a staple of the news business in December.¹

December is also when charitable giving peaks, partly

¹These words were written before the publication Dec. 20 of a story in the Providence Journal (p.A1, 20 December 2004) describing how the housing plight of the Baton family of Hopkinton was cured by dozens of donors and volunteers who helped rebuild their house after it was threatened with condemnation. The house had fallen into disrepair during the illness and death of the father. Glenn Baton.

because of the imminent end of most peoples' tax year, and partly because of the inspiration of stories like "A Christmas Carol." Few want to seem a Scrooge, especially to themselves. And pretty much every year at this time, inspired by these stories, I start to think what a great idea it would be to devise a system where all of us would contribute a little money to help make sure that no one had to live in poverty. Perhaps the donations could be sized so that people's contribution would be set so that those who have more money could give a little more, and people with less could give less. And once such a system was established, it might be useful for other things: educating children, putting out fires. Just think!

Welfare

Back here on Planet Earth, in the State of Rhode Island, we do have a welfare system that is supposed to, well no one says any more that it's to "tend" to the needs of the poor. The word is a bit archaic, reminiscent of the cartoon to the left. They might say that it is a system that "addresses" the needs of the poor, which sounds a bit less emotionally laden, and more professional. But close examination shows that what we really have is a system that, at best, "bears some relation" to the needs of the poor, which also sounds fairly professional. There is lots of help available to those who need it. Well that's not quite right, either. It's more that there's lots of help available to those who can prove that they need it through a welter of interviews, applications, pay stubs, and sometimes court documents.

Discussions of welfare programs often hinge upon the amount or the kinds of benefits on offer. The trend over the past twenty years has been to provide new services—job training, child care—rather than new money. Indeed, the cash benefit provided to welfare recipients in Rhode Island hasn't gone up since 1989. (The inflation we've seen since then makes this equivalent to a 34% cut.)

The other important trend of the past couple of decades is that many of the welfare benefits are now available to families whose income is above the poverty line.² These are services like health insurance and child care, that are crucial for families trying to make it on their own. These are the issues that politicians argue about.

But what about the ones they don't argue about? What about the problems that arise as unforeseen consequences of other decisions? Like applying for benefits.

²Which is good, because the poverty line itself is the focus of some serious political wrangling, and has long since lost its relation to real life as various Presidents used its definition to help them claim to be fighting poverty. This is why the Poverty Institute at Rhode Island College recently created its "standard of need," to create a more realistic measure of how much it costs to live around here: povertyinstitute.org.

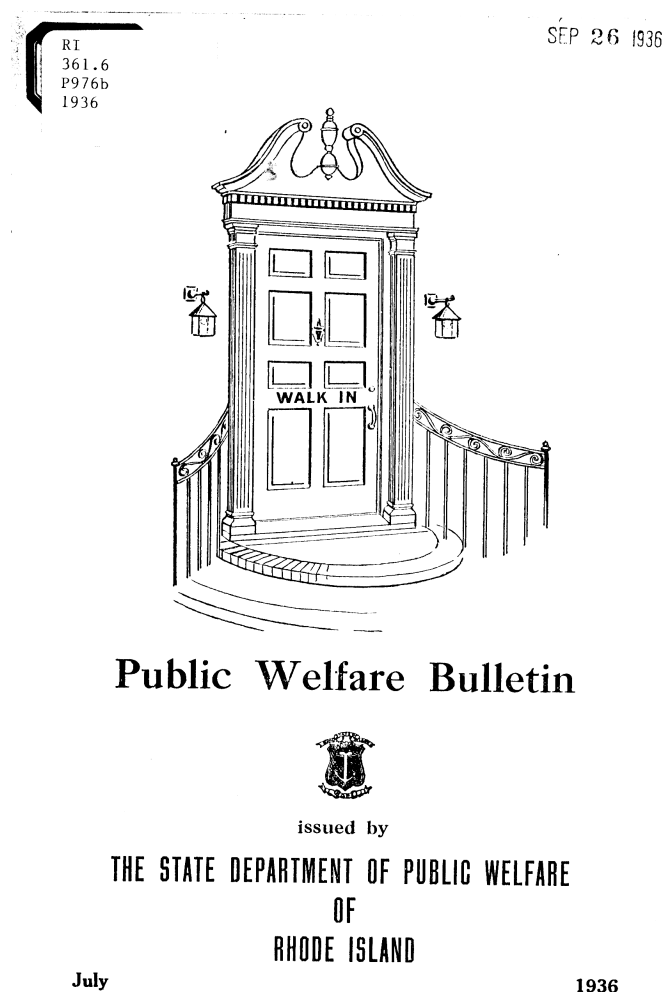


Figure 1: The cover of the annual report of the welfare department in 1936. The iconography of welfare and human services has changed a bit since then. See page 4 for more.

Income-ing!

The best illustration of the ad hoc nature of our welfare system is the different definitions of income in different programs. For subsidized childcare and for WIC, the income limits apply to gross income. Everything is counted, with no deductions. But in determining eligibility for RIte Care, a \$90 "work disregard" is applied to monthly gross income, and expenses for childcare are deducted. What's left is called "countable" income and is what is compared to the limit. For FIP, the work deduction is \$170 plus 1/2 the balance. Remember this when you look at the table on page 3.

It should be noted here that the people who actually run the Rhode Island's welfare system have usually chosen that profession in order to be of assistance to those less fortunate. Our encounters with them have been uniformly pleasant and informative. They seem genuinely troubled by the state of the system, and eager to make what improvements they can. They are not the ones to have dictated that the definition of "income" is different for welfare and for Medicaid.

It's the people at the top—Governors, Presidents, Legislators of all stripes, and all their assorted policy staff—who have been somewhat less helpful, and who have created a wonderworld of bizarre and often conflicting rules and regulations, systems that work today only because they worked yesterday, whose efficiency is minimal and whose efficacy is dubious.

Applications An important development in the 1990's was the acknowledgement that without providing child care and health benefits, people would find themselves unable to give up welfare benefits. The value of the minimum wage has eroded so far that it is seldom possible to support a family with a job on that end of the income scale. Wanting to end the "incentives" to remain on welfare Congress allowed states to offer these benefits to families earning well over the federal poverty line (FPL). Rhode Island has done so, and families earning up to 2.5 times the poverty level can be eligible for some health benefits, for example. See table 1 on the opposite page for the income limits for an assortment of RI Department of Human Services (RIDHS) programs.

An alternative to this kind of action might have been to

do something about the low minimum wage. The minimum wage in Rhode Island is now \$6.75/hour. Compared to the \$1.60/hour minimum in 1968, this is a lot less. (\$1.60 in 1968 means about \$8.68 in 2004.) Clinton got a small increase through Congress, but nowhere near enough to make up the difference, and the federal minimum is stuck at \$5.15. Critics said at the time that this would subsidize employers who didn't want to pay decent wages. The evidence since then is that they were right. A statistical look at Wal-Mart employment practices by researchers at UC Berkeley show that Wal-Mart employees cost the state of California around \$86 million per year in benefits (medical, food stamps, even welfare) compared to their better-paid counterparts at groceries and other large retail stores.³

Be that as it may, there are now benefits, like subsidized child care and health insurance, for people who don't earn enough to afford it themselves. The catch, of course, is that you have to apply for it. Each program (and here we're only talking about the programs administered by RIDHS) has its own application requirements and its own application forms. Some of the application requirements are set by Congress, and some by RIDHS.

If you apply for Family Independence Program (FIP) benefits,⁴ there is an application and a "Statement of Need," an interview and a ream or two of supporting documents, such as birth certificates, utility bills, rent receipts, auto registrations, and burial contracts, if you have them.

The good news is that if you apply for FIP, you don't also have to apply for the other programs; you're automatically enrolled. But if you're working, and are looking for that supplemental help Congress said you should get, you have to apply separately for each program. RIte Care is provided by a federal block grant, the states get to set its application requirements, and since RIDHS has a liberal view of what is required, you can do that one by mail. But the Food Stamp program is not a block grant, and federal rules require an interview, so you have to get yourself to the nearest office during working hours. WIC might require another. You still haven't applied for Section 8 housing assistance or heating assistance (LIHEAP),

The good news is that aid is available to poor working families. The bad news is they have to apply for it.

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³See laborcenter.berkeley.edu/lowwage. My estimate, based on the number of Wal-Mart employees here, is that this corresponds to about \$3.6 million in costs to the state of Rhode Island that wouldn't be necessary if they paid a decent wage.

⁴This is the welfare reform successor to AFDC (Aid to Families with Dependent Children). This is our TANF (Temporary Aid to Needy Families, the federal name) program.

Family Size	FIP Unearned	FIP Earned	Food stamps	WIC	RIte Care (Family) (185% FPL)	Subsidized Childcare (225% FPL)	RIte Care (Child) (250% FPL)	RIte Care/RIte Share (150% FPL)	RIte Care/RIte Share (200% FPL)
1	\$327	\$824	\$1,009	\$1,435	\$1,435	NA	\$1,940	\$1,164	\$1,552
2	\$449	\$1,068	\$1,354	\$1,926	\$1,926	\$2,342	\$2,602	\$1,561	\$2,082
3	\$554	\$1,278	\$1,698	\$2,416	\$2,416	\$2,938	\$3,265	\$1,959	\$2,612
4	\$634	\$1,438	\$2,043	\$2,906	\$2,906	\$3,534	\$3,927	\$2,356	\$3,142
5	\$714	\$1,598	\$2,387	\$3,396	\$3,396	\$4,131	\$4,590	\$2,754	\$3,672
6	\$794	\$1,758	\$2,732	\$3,887	\$3,887	\$4,727	\$5,252	\$3,151	\$4,202
7	\$874	\$1,918	\$3,076	\$4,377	\$4,377	\$5,323	\$5,915	\$3,549	\$4,732
8	\$954	\$2,078	\$3,421	\$4,867	\$4,867	\$5,919	\$6,577	\$3,946	\$5,262

Table 1: Monthly income limits for various RIDHS programs. (Source: Poverty Institute, 10/04) In addition to these limits, families are limited to having \$1,000 in any assets in order to receive FIP benefits, and \$2,000 for food stamps. ("FPL" = Federal poverty line) The "FIP Unearned" column shows the maximum amount of government benefits a family can receive and still be eligible for FIP benefits. The difference between that amount and the maximum is the FIP benefit. For example, a family of four that gets \$300 in unemployment benefits is eligible for \$334 in FIP, unless they live in subsidized housing, in which case it's \$284. RIte Share is a program of subsidized health insurance premiums, so families that qualify have to pay a premium that depends on their income. Also, pregnant women count as two members for the family size, but only for RIte Care and WIC. Complicated enough? Now read the box on the opposite page for the differing definitions of income, which this table omits. This is why the state has a staff of people whose only job is determining whether people are eligible. These are the eligibility technicians, or "ET's," and there are 153 of them in the RIDHS Division of Individual and Family support.

but you've had to travel to the office for an interview two or three times during the day, fill out dozens of pages of forms, and hunt through your records for pay stubs, old bank statements, and leases. This is for programs that are supposed to help you keep a job.

RIDHS does appear to have an institutional desire to make the process easier—they've experimented with new application forms and online forms—but they're up against some formidable obstacles. For one thing, most of the income eligibility requirements are set by federal law or regulation. Where they conflict there is effectively no recourse. In the case of RIte Care, the state has been given latitude by a special waiver granted by the federal Medicaid program. But this is the exception.

Another obstacle to easing access is more philosophical. If RIDHS policies are at issue, the department has shown its willingness to change them to ease access. But if legislative changes are necessary, either state or federal, the will is simply not there. Ease of access is not anything Senators debate. On the contrary, we are supposed to measure the success of our welfare programs by the decrease in the size of the rolls. Witness the October 2004 report from the Cato Institute.⁵ RI is given a failing grade, since our rolls haven't declined as fast as they have in other states. But we shouldn't need **RIPR** to point out that there are many ways to decrease the number of people who are getting help from the state. One way is for a number of them to find well-paid rewarding work. Another way is to make the program hard to use, intrusive

and stingy. If the goal of these programs is to help people who need help, then using the simple decrease in the rolls as a measure of success is not just a poor idea, it's borderline insane.

The InRHODES Legacy The political realities of welfare programs are one obstacle to application reform. Another is the RIDHS computer system that we use to run the system. Called InRHODES (people disagree about the capitalization), the system is used to accept applications and process checks for FIP, Food stamps, WIC, RIte Care and Subsidized Child Care. (RIte Care's medical reimbursements are handled by a different system.)

The InRHODES system is a huge database, adapted from a system in use by South Dakota, which was adapted from a system developed for Vermont. It was designed and built by contractors for TRW, now Northrop Grumman. It was designed with "Natural Language" (NL) software that at the time seemed like the wave of the future, but like many such waves, turned out to be just an eddy. The original idea of NL software was supposed to allow non-programmers to describe what they wanted using plain english, but in practice it turned out to be as finicky as any computing language, and more hassle to type. It lives on mainly in installations that spent so much on development that they can't afford to switch. Like InRHODES.

The InRHODES system is approximately 2.5 million lines of NL code. You could think of it as tens of thousands of conditional statements embodying the places where the rules of one welfare program conflict with an-

⁵"Implementing Welfare Reform, a State Report Card" by Jennifer Zeigler.

other: income equals X, unless program equals FIP, in which case income equals X-Y, and the documentation needs aren't met. The costs of our patchwork welfare system aren't just in the inconveniences to its clients, the programs are simply expensive to run. The concrete manifestation of our weird attitude toward welfare is that the database software alone costs the state of Rhode Island \$5.9 million *each year* to maintain the system—the efforts of around 40 Northrop programmers. This is money spent incorporating new rules, regulations and court cases, accommodating still unforeseen situations, and adding new audit procedures.⁶

In a way, the downside of InRHODES is that it works. Checks get delivered on time, the correct funds get transferred to the correct accounts. If it didn't work, we'd have to fix it, and could perhaps spend time trying to do it right, or at least in a way that wouldn't create this kind of legacy problem down the line. But it does work, and so there is little will to fix it. Certainly there is no state money to invest in making the system better. RIDHS did get a \$790,000 grant over three years from USDA (who funds Food Stamps and WIC) to investigate application reform, with an eye to creating an online application, but this is not money to make any fundamental changes.

Interviews with advocates and RIDHS staff lead to the conclusion that the system is strapped for resources. Stories about social workers with ridiculous caseloads are constant. You also hear frequently about people the department hasn't been able to help on time because of federal rules about time limits for this or that program, combined with huge backlogs. The system is so stressed that any applications experiment risks overwhelming it.

The cause of the stress is regularly identified as underfunding and understaffing. But "underfunded" is a condition of the funding *and* of the task. Underfunded to do what? To calculate income three different ways? To determine the value of burial contracts? To read three different applications with the same information on them?

In some aspects, the Governor is willing to spend money to save money. For example, part of his "Fiscal Fitness" program bought four fraud investigators to look into child care fraud. Application reform—which would involve seeking waivers of program requirements, as well as refining databases and paper forms—is an opportunity to spend some money to save some, but in a way that isn't punitive to recipients. It's been a success in Pennsylvania. What about here?

A thousand words In a casual poll of my friends, I've found that the Public Welfare bulletin cartoon on page 1 constitutes a sort of welfare Rorschach test. Some

⁶This is also a lesson in the dangers of out-sourcing. We had a contractor build this system for us, and now we're completely dependent on that contractor. \$5.9 million probably includes a lot of overhead, but we don't have the capacity to do anything about it.



Figure 2: Logos from various human services departments. Clockwise from top left: the State of Georgia, the US Department of Health and Human Services, the State of Illinois and the city of Houston.

see it as a relic of an earlier, more naïve era, and offer a comment on whether the innocence was a good thing or not. Others see it as unremarkable, a reflection of the current department's mission.

But what's really interesting about the cartoon is the evolution of the imagery used since 1936. A random Google survey of government human service agencies in this country shows that few of them use fancy logos. The ones that do seem oddly uniform in their iconography: pictures of children, families, disabled people. There are some examples above. They're all like this, except for the ones that depict entirely neutral subjects like trees. (The RIDHS logo is like this, so is South Carolina's, though not surprisingly, it's a different kind of tree.)

Comparing these with the older picture reveals that what's really striking about the older picture is that, unlike its more modern counterparts, it seems to imply that whoever is looking at the picture might be in need of the department's help. That is, *you*, the viewer, might someday need help, and if you do we, the welfare department, are here. In contrast, the more modern images are about children, mothers, disabled people: someone else.

There is decent evidence that a fact of modern life is increasingly rapid changes in fortune. A study conducted by the Los Angeles Times and researchers at Johns Hopkins, using data from the University of Michigan's Panel Study of Income Dynamics, concluded that income volatility is twice what it was 25 years ago (link at whatcheer.net). This means that families near the edge of poverty are quite likely to find themselves sucked in, by the loss of a job or by some other family crisis. Even families well above the line are susceptible to such a disaster, according to the data. But many still think of welfare as only for other people. As witness, go listen to a public hearing on affordable housing development in any town

in the state.

If welfare is only for someone else, perhaps it's less important to keep the system welcoming and helpful than if it's something you might eventually use yourself. Further, you probably consider yourself honest, but you might harbor misgivings about other people. Those people might be the ones you've heard about who cheat the system, and who are burdens on the people like you who work hard to support them. You can hear this in the welfare rhetoric used to push the anti-immigrant Prop 187 in California a few years ago, and you could hear it in Ronald Reagan's (still uncorroborated) stories about "welfare queens." Even though the majority of FIP recipients are white (like the majority of Americans, oddly enough) the history of our attitudes toward welfare is shaped by some of the darker recent chapters in the history of American race relations. The welfare system (along with troubled urban public schools) have become voodoo dolls: the focus of our displaced discomfort, with elaborate rituals staged in Congress and state legislatures to dishonor them.

You also hear echoes of this whenever the welfare debate comes around to "entitlements," a nasty word whose implication is that the recipients consider themselves entitled to receive our money. But a transaction like FIP benefits has two parties: the receiver and the giver. The word looks at the transaction only from the point of view of the receiver. You might claim that the receiver feels entitled, but I might claim that our consciences oblige us to give it. Jesus, Thomas Aquinas,⁷ Maimonides⁸ and Ebenezer Scrooge⁹ all saw it my way. ■

Social Security

It is possible, even if you think you've been paying attention to the debate over Social Security, that you might feel like you'd missed something important. Will the system go bankrupt in 2018, or in 2042, or never? And how can the system once have had one retiree for every 42 workers, but in 20 years, there will be one for every two-and-a-half? What, exactly, are the points of disagreement?

⁷Who actually constructed a proof that "charity is the most excellent of the virtues" in his *Summa Theologica* (Second Part of the Second Part, Question 23.)

⁸In the Mishneh Torah (10:7-10:14), he rated the various kinds of charity, such as where the giver and receiver do not know each other, or when they do. He says that the highest form of charity is entering a business partnership with a poor person. The second-highest is a system where the giver and receiver don't know each other's identity. Depending on whether you think government is an agent acting on its own or an agent acting on behalf of all of us, you could construe government-allocated welfare benefits in that category. Undoubtedly there are rabbinical commentaries on the point; we'll post them as we find them on the web site.

⁹Eventually.

Modern Times

Because it seems to be the 21st Century kind of thing to do, **RIPR** has instituted the **RIPR** blog. Find it at the home page: whatcheer.net. The blog will allow us to provide backup documentation for the newsletter (see page 4, for example) as well as to offer comments on rapidly-developing issues. But the (paper) newsletter will continue to be where the main research effort goes. Once again, we welcome issue suggestions and contributions—to both the paper and the web editions—as well as subscriptions for the paper edition, which are to support this enterprise. \$35/11 issues, address on page 2, or pay online with a couple of clicks: whatcheer.net. —TS

2018 or 2042? So, what does the President mean when he says it will go bankrupt in 2018? What he means is that around 2018, Social Security benefits will cost more than the FICA taxes will raise. Fortunately, the Social Security system has operated at a surplus since 1983, and has \$1.6 trillion in the bank these days. Of course you don't put this much money in a bank, and so the surplus is accumulated in Treasury bonds, and this is where the problem starts.

Now these bonds exist, and they're stored in a combination-locked file cabinet in Parkersburg, West Virginia.¹⁰ But the bonds are a special issue, and can't be sold to other investors. Now money is a mysterious subject, and how it comes to be that you and I both value these funny green pieces of paper involves a certain amount of faith. Apparently a large number of people—mostly Republican people, it seems—who have no problem with the funny green slips of paper, find their faith tested when they think about that West Virginia file cabinet.

"It's just an accounting fiction," they cry, an artificial movement of numbers from one column of the federal budget to another.¹¹ And so they discount it entirely, and so doing makes it obvious that the Social Security system will fail as soon as 2018. What they mean is that the government will default on this debt.

Accounting for fact and fiction In one sense, these critics are correct: money owed by the government to the government is a funny concept. But the trust funds for military pensions, civil service pensions, unemployment insurance and Medicare¹² use the same bonds,

¹⁰At the Special Investments Branch of the Bureau of the Public Debt, part of the Treasury Department.

¹¹You can find some representative links at whatcheer.net.

¹²Medicare will be in crisis a lot sooner than Social Security, but that's because of spiraling medical costs, not because no one believes in the trust fund.

stored next door. It would be difficult to imagine another way, after all. The debt held by these trust funds is currently over \$3 trillion. The total valuation of all the companies traded on the New York Stock Exchange is about \$19 trillion. It would take a small army just to figure out how to invest all that money. And in fact, this is the real point to privatizing Social Security. There is just such a small army of bankers standing by, or, well, slaving in New York to invest that money for us. For a small fee.¹³

The real accounting fiction is that the Social Security surplus allowed successive administrations to pretend that their budget deficits were lower than they really were. Repaying those loans will be a strain on future budgets. But the strain will be fairly easy to deal with. Right now, income above \$87,000 a year is exempt from FICA taxes. Ending that exemption would more than deal with the problem, without cutting benefits.

There are only two significant points of disagreement between Democrats and Republicans about the future of the Social Security system. One is this question of whether the surplus is real, and the other is the appropriate guess for the average rate of economic growth for the next 50 years. As for the guess, who knows? But the President's OMB uses such guesses to claim that the federal budget current account deficit is manageable, and they use somewhat lower guesses (from CBO) when they evaluate the future of Social Security.

The dollar is still the world's reserve currency. Oil is priced in dollars, currency values are measured against dollars, and our bonds are still the standard against which investments are measured. As little as ten years

¹³That much new money for purchasing stocks would also run the prices right up quite a bit for reasons that have nothing to do with the value of the companies we invest in. If you believe in the power of the market to accurately assess the value of the goods in the market, you can only bemoan the possibility that the stock market would suffer this kind of distortion. But most capitalists are only free-market fundamentalists when it favors their own bank accounts.

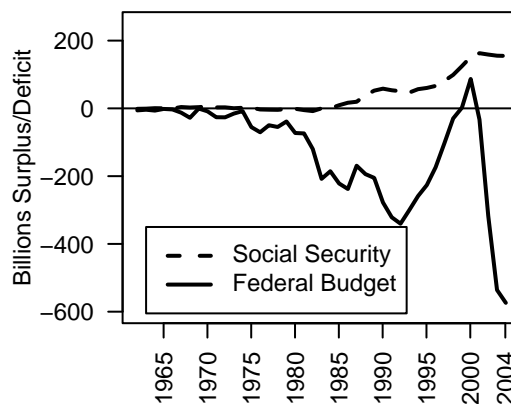


Figure 3: Federal budget deficit and Social Security surplus. Quick, which one of these is a crisis? The President says it's the dashed line.

ago, there was no real alternative. Any abuse we inflicted on our economy simply had to be endured by the rest of the world. The European currencies hadn't enough economy behind them, and even before Japan was in decline, many analysts feared their economy had a shaky foundation. But now the Euro is a serious (and appealing, even to Americans) alternative, and if our place as the reserve currency is threatened, the consequences will be dire.

The credit-worthiness of the US Government is the foundation of the world's economy. Playing with this is serious business. Bad economies can kill as many as bad wars. For the Bush administration to imply publicly that it takes lightly its responsibilities to its bondholders—the Social Security trust fund that represents you and me, but by implication also the Chinese and Japanese who very kindly finance our deficit for us—is the height of irresponsibility. If you think the war in Iraq will have serious consequences for us in coming years, wait until you see the economic carnage when the Chinese decide to sell their US bonds. ■

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news each day.
Hooray for the
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