A Universal Child Income: Implications for Policy, Poverty, and Child Development

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Implications for Policy, Poverty, and Child Development

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The American ethos is fiercely devoted to the idea that a person’s fate is not determined by their roots. Success is the product of hard work, resiliency, and strong character, the narrative goes. In the latter half of the nineteenth century, Horatio Alger wrote novels about poor teenage boys achieving the luxury and stability of middle-class life through courage and honesty. His books reflected and helped enshrine a deep belief in opportunity and self-improvement. Necessarily, the other half of this national ethos is more vindictive. Just as success is attributed to hard work and strong virtue, poverty is understood as a matter of personal moral failure.

Americans have often rubbed against this particular strain of national thought. Since the earliest days of American history, stretching across place and time, people have come to believe that the promise of opportunity was a raw deal. The historical record provides ample evidence of people disillusioned with the American Dream and dissatisfied with the inequities of the economic system. Billy Joel, for instance, once reflected on the dissonance between expectations and reality for those affected by deindustrialization. He sang:

We’re waiting here in Allentown, for the Pennsylvania we never found. For the promises our teachers gave—if we worked hard, if we behaved. So the graduations hang on the wall, but they never really helped us at all… Every child had a pretty good shot to get at least as far as their old man got, but something happened on the way to that place.

Today, the bulk of the research on opportunity and mobility vindicates Joel’s sentiments. Economists find that a parent’s income is strongly predictive of their children’s financial success.¹ The class children are born to, moreover, matters more in the United States than in other countries. In a comparative study, Ermisch et al. (2012) conclude that “the United States has one of the strongest correlations between PISA test results and parents’ SES [socioeconomic

¹ Pablo Mitnik et al., New Estimates of Intergenerational Mobility Using Administrative Data (2015), 70.
status].”

Research by the Equal Opportunity Project at Stanford finds that upward mobility for the poor is increasingly limited, especially for particular geographic regions (like South-Eastern Pennsylvania, incidentally). Data from the U.S. Department of Treasury suggests that, of those born in the bottom quintile, about 42 percent can expect to remain there. The recognition that success and opportunity are partly determined by a lottery of birth is antithetical to notions of equal opportunity, and prompts a political response.

While it may not be possible to restore upward mobility absent structural economic changes, policy can improve the wellbeing of those at the bottom and increase their chances of success. For a growing number of scholars, policy experts, and child development specialists, a universal child income is cited as an effective way to alleviate child poverty and increase upward mobility. Given the proposal’s increasing relevance in policy discourse, it is timely to investigate the effects of a children’s UBI on child development, poverty, and lifetime success. To do so, this project will first outline the existing literature on how poverty affects child success, and how increased income early in life can affect the chances of low-income children. Second, this paper will examine the status of low-income families in America, including how they are situated within current safety net programs. A universal child income would mark a sharp break from traditional American welfare programs, and the relative advantages and weaknesses should be noted. Next, this project will respond to objections to a universal child income, outlining the existing research on unconditional benefits and their behavioral implications. Finally, a children’s income will be considered from an ethical standpoint. Throughout the project, data on poverty and child wellbeing will be woven together with qualitative research conducted with five

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homeless mothers in Harrisburg, Pennsylvania. While their experiences are vast and varied, common strains run through their stories and give a human touch to the data on poverty and universal income.

The cognitive and physical effects of poverty

Poverty acts in a multitude of subtle and nefarious ways to undermine children’s chances of success. It erects physical barriers while sapping the emotional strength of families to overcome them. An appropriate starting place in understanding the effects of poverty on child development is to examine how scarcity corrodes emotional wellbeing. Economists and social scientists have studied extensively the effects of poverty and economic uncertainty on human behavior. Some researchers have introduced the idea of bandwidth to represent people’s mental capacity to perform tasks. Living under scarcity taxes people’s bandwidth, making it harder to be insightful, forward-thinking, and controlled. People expend bandwidth to perform cognitive functions—concentrate in school, for instance. But it is also relied upon to make good decisions and plan for the future. Some research even shows that self-control can be depleted as we use it.\(^5\) Since living under scarcity is a prolonged exercise in self-denial, it is unsurprising that sometimes the bandwidth required to succeed is exhausted.

For people in poverty, basic levels of functioning can require extensive bandwidth. Paychecks have to be meticulously apportioned to cover the most important needs, or to pay off the most looming debt. The difficulties of caring for children, getting to appointments, and paying bills can place inordinate stress on low-income parents, making it easy for details to fall through the cracks. One mistake creates additional hurdles to navigate, such as paying late fees

on a bill. Dahl and Lochner (2012) note, unsurprisingly, that poverty is related to high levels of parental depression, stress, and poor health. In this cycle, the circumstances of poverty increase the difficulty of making forward-thinking decisions and exercising self-control.

When scarcity causes parents to face debilitating stress, children bear the consequences. Dr. Robert Needlman, a behavioral pediatrician, observes that “It’s really a lot easier to be a good parent if you’re well rested, you can afford baby-sitters, and you have someone to clean your house. People who have those psychological resources that allow them to be good parents quite often have the resources that allow them to be secure financially.”

Not only do impoverished people face heightened difficulty planning for the future, but scarcity has also been shown to reduce cognitive capacity to the extent that people exhibit lower IQ. In one study, researchers asked respondents in a New Jersey shopping mall to take two intelligence tests. The first time, participants at all incomes levels performed equally well. The second time, the researchers told respondents that their car needed $3,000 in repairs, and asked them to consider how they would find the money. In the following test, high-income people performed as well as before, but the scores of low-income respondents dropped thirteen to fourteen points. Economic anxiety effectively siphoned off part of the cognitive capacity of low-income respondents. In this case, thinking about even the hypothetical difficulty of making ends meet took enough bandwidth to reduce the problem-solving ability of low-income participants.

In another experiment, researchers studied sugarcane farmers in India, whose income varies dramatically in relation to harvest time. Immediately after harvest, farmers performed better in several cognitive functions. They planned for the future more, had better impulse control, and made more informed decisions.

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control, and tested about nine to ten points higher in IQ than during the sparse months.\textsuperscript{8} In the words of Sendhil Mullainathan, Harvard economics professor and author of \textit{Scarcity}, “Being poor is like having just pulled an all-nighter.”\textsuperscript{9} At the broadest level, then, it is reasonable to conclude that low-income children face greater cognitive stresses than their affluent peers, erecting unique barriers to intellectual and emotional development.

Low-income mothers interviewed in Harrisburg, Pennsylvania, almost universally affirm this research. A recurrent theme in the interviews was the difficulty of looking past immediate needs to plan for the future. One mother, asked about her future vision, responded “I’m taking it step-by-step. I do got a vision, but I don’t want to get up and move again. I’ve been doing that a lot with me and my kids… I’ll just take it day-by-day.”\textsuperscript{10}

In addition to measures of cognitive function, researchers find that poor children are worse off than non-poor children along a number of metrics. In terms of physical and intellectual developmental health, for instance, Duncan and Brooks-Gunn (2000) find that poor children face disproportionate risks.

“In terms of physical health, the risk for poor relative to nonpoor children is 1.7 times as high for a low birth-weight birth, 3.5 times as high for lead poisoning, 1.7 times as high for child mortality, and 2.0 times as high for a short-stay hospital episode. In terms of achievement, the risk for poor relative to nonpoor children is 2.0 times as high for grade


\textsuperscript{10} Cochran research, Brenda
repetition and dropping out of high school, and 1.4 times as high for having a learning disability.”

A large body of research shows that the pernicious effects of poverty on child development are not temporary. Living in poverty early in life has the most lasting implications for children, and persistent poverty is associated with worse outcomes than being poor for part of childhood. Duncan et al (1994) find that, controlling for other factors, being poor in the first four years of life is associated with 9 fewer points on the Wechsler Preschool and Primary Scale of Intelligence IQ test. Children who were poor for some, but not all, of the first four years had a 4-point difference. Powerfully, the researchers find family income to be a more powerful predictor of IQ than maternal education.

Duncan et al. (1998) investigate the varying effects of poverty at different ages. They find, again, that early childhood is the stage in which family income matters the most. Their study relies on the fact that family income often varies considerably over time, so siblings of different ages experience different income levels during early childhood. Using the Panel Study of Income Dynamics, a longitudinal dataset, they study how a low-income status affects different developmental stages. Notably, the researchers find that family income during early childhood has a greater impact on years of schooling completed than does income during middle childhood. This may be the case because of the cumulative nature of schooling and child development—learning builds on itself. Disadvantaged children during the earliest years are less prepared for preschool and are thereby set back for entry into the school system. The tracking

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system often classifies children at young ages, determining their peers and educators for subsequent school years, multiplying the importance of early childhood development.

A second conclusion of Duncan et al. (1998) is that the results are nonlinear across the income distribution. Income matters the most at the bottom, and less for middle-class and affluent families. (Until mid-adolescence, however, when family income among the middle-class is highly correlated with entry into college). Within the lower-class, income matters the most for those in deep poverty.\(^\text{14}\)

The findings of Duncan et al. are noteworthy for two reasons. First, given the significance of parental nurturing in child development, it is telling—and perhaps encouraging—that income is a stronger predictor of IQ than a mother’s education. Policy can do little in the short-run to give a child better-educated parents, but the potential to increase household income is much greater. Second, the study gives credence to the long-term corrosive effects of poverty. Not only are deprived children worse off in the present moment, but also carry lasting cognitive effects in the form of reduced IQ. In sum, growing up without enough reduces the long-term potential of children to be all that they can be.

**Income transfers and child success**

To better approximate the effects of poverty on child development, the most quantitatively rigorous areas of the literature seek to determine greater confidence of a causal relationship. In this pursuit, one recurring challenge is controlling for omitted variables. For instance, the possibility often looms that a third factor might simultaneously affect child development and income, such as parental education. Highly-educated parents are more likely to

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earn greater incomes and provide high-quality learning environments at home. If child development stems more from parental education than from family income, immediate cash assistance might be less effective.

To control for omitted variables, researchers often rely on naturally-occurring experiments. Dahl and Lochner (2012) study the effects of an increase in the Earned Income Tax Credit benefit in the 1990s. Throughout the 1990s, total spending on the EITC increased dramatically, from $10 billion in 1986 to over $40 billion in 2004.15 For some families, increases in income were considerable—as much as 20 percent, or $2,100, in some cases. An increase in benefits, independent of external variables, provides a natural setting for establishing causality. It allows researchers to hold family education constant and isolate the effects of income. The increase was, as the authors put it, “independent of idiosyncratic family circumstances.”16 Using this data, Dahl and Lochner estimate that a $1,000 increase in income during early childhood raises math and reading scores by 6 percent of a standard deviation. A $3,000 increase boosts reading scores by 10 percent of a standard deviation, and math scores by about half that. For comparison, having a mother who graduated high school is associated with an achievement increase of 17 percent of a standard deviation. The results are encouraging for several reasons. First, Dahl and Lochner find greater test boosts with greater increases in income, suggesting that amounts around $3,000 have not yet reached diminishing returns. Second, it is encouraging to consider that a public income transfer could begin to compensate for having a mother without a high school diploma. It suggests that the disadvantages conferred by the birth lottery are, to some degree, reversible.

The EITC is also used to examine the health effects of increased income. Hoynes et al (2012) use EITC spending to examine the effects of an increase in income on infant health. Focusing specifically on low-income single mothers, they find that a $1,000 increase in EITC income is associated with a 6.7 to 10.8 percent reduction in the incidence of low birth weight. The results are even stronger for African American mothers.\(^\text{17}\)

Milligan and Stabile (2008) similarly rely on policy changes to study the effects of income on child achievement in Canada. They use the Canada Child Tax Benefit, which is paid to parents of children up to age 17, and draw data from the National Longitudinal Study of Children and Youth. About 85 percent of Canadian families receive child benefits. Among those earning less than $60,000, take-up is nearly universal. This allows Milligan and Stabile to draw conclusions about increased income and child success along the income spectrum, revealing where the effects might be greatest. For the entire sample, the results show a positive but insignificant relationship between benefits and test outcomes. For those from families with low education, however, the results are more promising. The researchers find that a $1,000 increase in benefits is associated with an increase of 7.4 percent of a standard deviation in math scores, and 6.8 percent of a standard deviation in verbal scores. Interestingly, the results are largely driven by boys, whose scores increase disproportionately. Consistent with the literature at large, Milligan and Stabile find that money matters the most at the bottom of the income distribution.

In other cases, researchers control for omitted variables by accessing large, longitudinal data sets and introducing control variables. In the case of Duncan et al (2010), the researchers use data from the Panel Study of Income Dynamics, which has compiled a nationally-representative sample of families dating back to 1968. Since the data set includes a large amount

of data on each respondent and tracks respondents for a number of years, they are able to control for child gender, parental education, geography, and race. Importantly, the data is also controlled for income in middle childhood and adolescence, to isolate the effects of income during a child’s earliest years. The researchers find that additional income, particularly at a young age, is associated with substantial increases in lifetime earnings and educational attainment.

Specifically, “a $3,000 annual increase in income between a child’s prenatal and birth year is associated with 19% higher earnings and a 135-hour increase in work hours.” A $10,000 increase per year over the same period is associated with a 77.4 percent increase in lifetime earnings. Importantly, the researchers find that these effects persist across the 13-year period they study (from ages 25 to 37). This research suggests that sums within the reach of current policy—some EITC recipients receive as much as $3,000—can have lifetime effects far greater than the initial transfer cost.

The evidence that family income matters the most during early childhood is overwhelming. Researchers consistently find that, controlling for other variables, the earliest years of life are the most destructive to spend in poverty, and that policy interventions are most effective during those years. Using longitudinal data from the Panel Study of Income Dynamics, Duncan et al (1998) control for demographic differences and estimate the effects of income on years of school completed. They find that for low-income children, a $10,000 increase in income averaged over the first five years of life is associated with a 2.9-fold increase in the odds of finishing high school and an additional .81 years in completed schooling. These effects are much larger than those estimated for a child between the ages of 6 and 15.

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Duncan and Brooks-Gunn (1997) organize 12 groups of researchers, exploring 10 different longitudinal data sets, to estimate the effects of income on child well-being. Controlling for parental education, they find that family income has considerable associations with children’s achievement. As with other studies, they find that family income matters most in the earliest years of a child’s life, and the biggest impacts are at the lowest income levels. Interestingly, the relationship between parental income and child achievement was quite strong, but the association between parental income and child behavior and health was less clear. These conclusions are consistent with the literature, which tends to find strong relationships between parental income and child achievement (such as school completion and income earnings), while the connection to child behavior and health is more scattered.20

The condition of low-income families

Measures of child poverty differ across organizations and countries. Consequently, comparative statistics can be difficult to compile. The Organization for Economic Cooperation and Development (OECD), possessing perhaps the most comprehensive comparative poverty statistics available, employs a relative poverty measure. It sets the poverty line at half of the median family income across a country. Child poverty, then, is the proportion of children with post-tax-and-transfer income of less than 50 percent of the national median income.

The U.S. Census Bureau, in comparison, assigns an absolute poverty threshold to each family based on household size and age. In 2016, for instance, the poverty line for a single parent

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and one child was $16,543. For a five-person household with three children, the family must make $28,643 to live above the poverty line.  

For the purposes of this paper, the OECD’s poverty estimates will be used for international comparative statistics. When poverty is discussed domestically, the Census Bureau’s statistics will be used whenever possible.

Measured in either absolute or relative terms, child poverty is pervasive in the United States. In the United States, 20 percent of children live below the federal poverty threshold. Among the 35 OECD countries, the US ranks 32; only Turkey, Spain, and Israel fare worse. The lowest rates are found in Denmark and Finland, where only about 3 percent of children live in poverty. The average child poverty rate across OECD countries is 13.5 percent. In the majority of OECD countries, including the United States, children are more likely than the general population to live in poverty. Only in seven OECD nations are children less likely than the general population to live in poverty, including Denmark, Finland, and Norway.

In the United States, the official deep poverty line is set at one half of the poverty threshold. A family of three in deep poverty subsists on less than $9,276 per year. Even as children are more likely than the general population to live in poverty, younger children are more likely than older children to live in deep poverty. The Census Bureau finds that 8.9 percent of children, on the whole, live in deep poverty. The National Center for Children in Poverty, a

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think-tank at Columbia University, estimates that of children age 0 to 9, about 11 percent live in deep poverty.\(^{25}\)

Measured over time, United States child poverty rates have varied considerably in recent years. In the past thirty years, rates first peaked in 1993, at 22.7 percent. They began to decline through the mid and late nineties, including during welfare reform in 1996. Child poverty rates bottomed out in 2000 at 16.3 percent, before steadily rising through the aughts. By 2010, rates had returned to pre-welfare reform levels at 22 percent. Since 2010, child poverty has hovered between 19 and 22 percent.\(^{26}\)

A surface-level analysis, then, does not reveal a clear narrative of child poverty. Rates of child poverty do not seem to be strongly linked to, for instance, a strong overall economy. Rates declined in the late 1990s—strong years for the labor market. But in the boom of the early to mid-2000s child poverty rose consistently and continued to rise during the Great Recession. In more recent years, it has stabilized at rates far higher than in the years immediately following welfare reform, perhaps indicating a new normal of child poverty.

Measuring extreme levels of deprivation reveals a more consistent narrative. H. Luke Shaefer and Kathryn Edin of the University of Michigan measure the number of American households living with income less than $2 per day—the World Bank extreme poverty threshold. They use data from a Census Bureau study—the Survey of Income and Program Participation (SIPP). In this dataset, income includes all labor market earnings, pension and retirement funds, cash-transfers from public programs, and informal income from family members and friends. It excludes in-kind transfers, such as SNAP. They estimate that in 1996, just prior to the


implementation of welfare reform, about 1.38 million children in any given month lived in extreme poverty households. By 2011, that number had risen to 2.80 million—a 103 percent increase. This represents about 16 percent of all impoverished children. Shaefer and Edin note that when SNAP is included as income, the rise in extreme poverty is reduced, but not eliminated. Under this measure, it rises from 475,000 to nearly 800,000 between 1996 and 2011—a 67 percent increase. Not only is child poverty pervasive, then, but its most extreme form has risen dramatically—doubled, by one measure—in a period of just 15 years.

**Welfare reform and child poverty**

In the face of the appalling state of child poverty in the United States, comparative statistics serve as a reassurance that it need not be this way. Other countries, making different political decisions, have arrived at dramatically different outcomes. In nine OECD countries—including all five of the Nordic states—less than 10 percent of children live in poverty. Of course, as Hillary Clinton famously remarked, the United States is not Denmark. But even within the United States’ welfare state typology—what Gøsta Esping-Andersen would call liberal market economies—better outcomes are apparent. In the United Kingdom, just 11 percent of children live in poverty. That number is down from 14 percent in 2007 and 17 percent in 1995. In the same period, especially from 2003 to 2007, the UK was substantially increasing its funding for children and families—increasing its spending on children faster than nearly any other OECD country. In sum, to a large degree, the condition of low-income families is rooted

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in policy decisions, which can be changed. To understand why so many American children live in poverty, then, it is important to analyze the changing welfare state.

In 1996, welfare reform dramatically changed how the state interacts with low-income families. Signed by President Clinton, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) replaced Aid to Families with Dependent Children (AFDC) with Temporary Assistance to Needy Families (TANF). AFDC was an entitlement program. Federal funding was matched with state spending, and poorer states received matching funds at much higher rates than wealthier states. Measured in constant 1996 dollars, federal funding peaked in 1976 at $26 billion, and had declined to $20.4 billion by the program’s end in 1996. Measured by caseload, AFDC was substantially larger than its successor. From 1970 to 1991, caseloads hovered between 10 and 12 million recipients. In 1995, AFDC peaked with a caseload of 13.6 million people.

Its replacement, TANF, was structured as a block grant. A total of $16.5 billion was allocated to the program, and states received a cut in proportion to the amount they had received from AFDC in the late 1990s. The bill did not include an adjustment for inflation, so program funding has gradually eroded since 1996. The Congressional Budget Office reports that in 2015, the federal government still spent $17 billion on TANF, the lowest inflation-adjusted amount since the program’s creation. Following its implementation, caseloads plummeted. Lichter and Crowley (2004) note that caseloads dropped 48 percent between 1994 and 1999. In fact, TANF

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included a mandate for states to reduce their caseloads by at least 50 percent or risk losing federal block grant money. Consequently, by 2001, TANF’s rolls included only 5.4 million people. By 2008, the number of recipients had been reduced to 3.7 million. Plummeting caseloads were not matched by a decrease in overall poverty—rather, fewer poor people were receiving cash assistance. In 1996, of every 100 poor families, 68 received TANF benefits. By 2015, that number had dropped to just 23 of every 100 poor families.

While the effects of changes in welfare policy on child poverty are complex, a survey of the literature suggests that the adoption of TANF failed to decrease child poverty in the long-term, and left a segment of low-income children in a particularly vulnerable position. The introduction of TANF was a central part of a broader movement re-focusing low-income policy on labor-market participation. One important change set forth by TANF was a work-based eligibility requirement. To receive benefits, parents were required to work.

The effects of TANF on work participation by low-income parents is hotly debated. At the time the legislation was passed, labor market participation among low-income parents was already increasing. From 1993 to 1996, prior to welfare reform, low-income parents were entering the labor market in greater numbers, and the trend continued at a similar pace from 1996 to 2000. Lichter and Crowley (2004) document that full-time employment among single mothers increased from about 48 percent in 1993 to 56 percent in 1996, and reached about 64 percent by 2000. Similarly, unemployment among single mothers decreased from 38 percent in 1993 to 28 percent in 2015.

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36 Department of Health and Human Services, “Office of Family Assistance.” https://www.acf.hhs.gov/ofa/resource-library/search?area%5B2377%5D=2377&topic%5B2351%5D=2351&type%5B23084%5D=3084
percent in 1996, before reaching about 19 percent in 2000.\textsuperscript{38} Scholars consequently disagree about the significance of welfare reform in increasing labor market participation, but many believe that TANF played a not-insignificant role in continuing the ongoing trend.

Policy analysts often point to diminishing welfare caseloads as evidence of the success of work-focused reforms. From an efficiency standard, this may be a practical measure, but it falls short of gauging the wellbeing of low-income families. Among those leaving the TANF rolls immediately after reform, data suggests that between 60 and 70 percent found employment.\textsuperscript{39} Whether work participation translated into poverty reduction, though, is less clear. Although TANF caseloads dropped 48 percent, the number of poor female-headed families declined only 22 percent, suggesting that leaving the welfare rolls was no guarantee of self-sufficiency.\textsuperscript{40} As some social scientists have argued, the welfare poor have become the working poor. Low-income mothers who found work tended to be employed erratically, in low-paying jobs, or work only part-time.

In studies immediately following welfare reform, in the late 1990s and early aughts, researchers were often encouraged by the data. There were modestly positive signs in poverty rates and work participation. Not only were caseloads plummeting, but many of the “leavers” were finding work, overall earnings were up, and child poverty was on the decline.\textsuperscript{41} A 2001 study funded by the Department of Health and Human Services found that 75 percent of leavers worked at some point in the following year.\textsuperscript{42}

In more recent years, though, the predominant body of research has taken a different turn. A 2007 DHHS analysis found that, after rising rapidly in the late 1990s, employment among TANF recipients fell from 31 percent in 2000 to 24 percent in 2005.\textsuperscript{43} Writing in 2002, and working with data from the National Survey of America’s Families, the Urban Institute concluded that 22 percent of families who left welfare during or after 1997 had returned by 1999. Moreover, while a majority of people who left welfare in the early years of TANF worked at some point thereafter, most were employed at low-wage jobs, received no benefits, and had average earnings below the poverty line. Moreover, the study found that more than 25 percent of those who left were ill or disabled and unable to work.\textsuperscript{44}

In the bulk of subsequent studies, similar findings reappear. Despite TANF’s emphasis on work, low-income parents are not finding the kind of employment that can support a family. In one Philadelphia study of current and former welfare participants, just 40 percent had jobs that paid at least $7.50 per hour and had health insurance. Work was generally unstable, often temporary, and recidivism to welfare was higher than prior to welfare reform.\textsuperscript{45} Higher recidivism suggests, as could be expected, that people leaving the TANF rolls due to the reform requirements are generally less prepared to become economically independent. In a 2001 report synthesizing 15 studies funded by DHHS, scholars found that although a majority of leavers worked at some point in the following year, only 37 percent worked the entire year. Moreover, a


\textsuperscript{44} Pamela Loprest, “Who Returns to Welfare?” The Urban Institute, (2002).

full 27 percent of leavers returned to the rolls within one year. Finally, and perhaps most
indicting, the average family income for all leavers rested near the poverty line.46

This evidence supports the conclusion reached by Ackerman (2003), who makes a careful
distinction between two types of low-wage work, and categorically rejects the notion that all
work is intrinsically fulfilling and wholesome.

“Some of these jobs can be lousy, degrading deadend jobs, which should not be
promoted. Others are pleasant, enriching stepping-stone jobs, which are worth taking
even at low pay because of their intrinsic value or the training they provide. Who can tell
the difference? Not legislators or bureaucrats, but the individual workers who can be
relied upon to know far more than what is known ‘at the top’ about the countless facets of
the job they do or consider taking. They have the knowledge that would enable them to
be discriminating, but not always the power to do so, especially if they have poorly
valued skills or limited mobility.”47

Since the creation of TANF, then, a new population has emerged in the United States.
These are impoverished mothers with children who are disconnected from both the labor market
and the welfare state. Efforts to systemically track these families are stymied by a lack of data—
states are not obligated to keep records of recipients post-exit. Moreover, even less is known
about those who were terminated from the program after reaching their five-year lifetime limit.
According to Hildebrandt (2009), only two known studies have examined what happens to
women who are terminated after 60 months on TANF. One study (Crichton, 2003) conducted
extensive interviews with 130 families in Minnesota who had been terminated—timed-off—from

46 Gregory Acs and Pamela Loprest, “Final Synthesis Report of Findings from ASPE’s ‘Leavers’ Grants.” The Urban
Institute, (2001).
TANF rolls. Crichton found that 72 percent of timed-off families had income below the poverty line, with an average monthly income of $1,100. About half the parents were working, and nearly all were receiving assistance from non-cash assistance programs such as SNAP and Medicaid. Only 6 percent were rated by interviewers as fairly stable. Other studies have similarly found timed-off families to be doing poorly. In Atlanta, researchers surveyed families in homeless shelters and found that 46 percent had lost TANF benefits in the last year.

One reason that timed-off and sanctioned families fare poorly may be that those are the exact families who face the greatest obstacles. Research suggests that, as could be expected, parents vulnerable to termination from TANF—those not working—tend to have more barriers to employment. One study of TANF recipients in Michigan surveyed women with a list of 14 barriers to employment, including depression, PTSD, anxiety, physical health problems, domestic abuse, lack of education and skills, and discrimination. Unsurprisingly, whether a mother was working was highly correlated with the number of barriers she possessed. Some 27 percent of the women in the study reported at least four barriers, and only 15 percent had none. Of those with zero reported barriers, more than 80 percent were working at least 20 hours per week, but only 40 percent of those with more than four barriers were doing so. Of those with more than seven barriers, a mere five percent were working.

This study strongly suggests that the ability of TANF recipients to work is contingent on structural and psychological barriers. To a large degree, the parents with suitable skills and free of psychological distress are finding work. The parents failing to find work tend to be struggling against serious disadvantages, due in large part not to personal failure, but the cruelty of

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circumstances. For these parents, greater penalties or incentives built into the welfare system will not remove the underlying obstacles that exist. Moreover, if cash assistance aspires to help children to flourish, reason suggests that families with more barriers need more assistance, not less. In many cases, the mothers who are unable to meet work requirements due to psychological stress—depression, anxiety, substance abuse—are also the mothers whose children are not doing well. In these cases, children get hit twice.

One of the most comprehensive, rigorous, and recent studies of TANF leavers is set in Georgia. Bourdeaux and Pandey (2017) investigate how leavers fared in the state between 2009 and 2015. Importantly, their data follows families for three years. They find that, in contrast to the early aughts, TANF leavers during these years were less likely to recidivate. Between 9 and 13 percent of leavers returned to TANF each year from 2009 to 2014. Bourdeaux and Pandey were encouraged by evidence that employment increased each year of the study—a full 76 percent of leavers in 2014 were working at least one quarter of the year. They write that “In sum, a solid majority of leavers seem to be employed, and many seem to retain their jobs at least for the first year.”

A closer inspection, though, reveals a grimmer picture of TANF leavers in Georgia. Although about three quarters are generally employed at some point during the year, only between 30 and 40 percent had work for the entire year. Average annual earnings of the employed—excluding entirely those without work—never rose above $11,000 in the first year. The researchers estimate that only about 8 percent of employed leavers had earnings above the poverty threshold. Moreover, the status of leavers did not markedly improve over time. By the third year away from TANF, the percentage who found year-long work stayed virtually the same.

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hovering between 33 and 42 percent. Average annual earnings for those who found work increased slightly to between $12,000 and $13,000. The percentage of employed leavers with earnings above the poverty line increased to 14 percent.  

Interestingly, although more leavers today than 15 years ago are finding work, fewer are earning above the poverty line. In 2002, the Department of Health and Human Services found that 18 percent of third year leavers in Georgia lived above the poverty line—not an astonishing sum, but higher than the state’s more recent numbers. The change could reflect a general erosion of wages for low-skilled workers, an increase in temporary work, or a combination of other factors.

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factors. The report’s most noteworthy takeaway is that, even three years after leaving TANF, the average Georgian leaver who finds work is living far below the poverty line, which is $16,543 for a single parent and one child.\textsuperscript{54} In sum, if TANF’s work incentives and time limits are evaluated according to the material wellbeing of the families who leave the rolls, those components are a dismal failure.

American welfare historian Michael Katz writes that the overarching theme of “fighting poverty 1990s style” was attaching benefits to labor market participation.\textsuperscript{55} If the condition of TANF leavers in Georgia says anything, though, it emphasizes the limitations of low-wage work in escaping poverty. The undelivered promises of low-wage work bring to mind the conclusions of journalist David Shipler, who writes powerfully on the lives of the working poor:

“Work works at the low end of the pay scale only when everything else works… There is no room for mistake or misfortune… The model [of upward mobility] is so rare that it is no model at all, just an exception that highlights the problems for the vast numbers of working poor who can’t line up every single factor in their favor.”\textsuperscript{56}

The Georgia study poses an interesting question. Across the board, a large majority of TANF leavers in the state continue to live in poverty. A majority have not found—even three years after exit—year-long employment. Despite the fact that detached families are, on the whole, not doing well, recidivism is consistently lower than in past years. In 2002, a full 27 percent of leavers returned to TANF within a year, yet only 10 percent did in 2014.\textsuperscript{57}

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explanation may be that a large number of leavers have reached their five-year limit. Timed-off parents are thus left to rely on in-kind transfers, such as SNAP and Medicaid, without any cash assistance. Another explanation may be that the erosion of TANF assistance levels discourages parents from working through an arduous application process. As Kleven and Kopczuk (2011) find, complex applications constitute a significant barrier to eligible recipients.\footnote{Henrik Kleven and Wojciech Kopczuk, “Transfer Program Complexity and the Take-Up of Social Benefits,” \textit{American Economic Journal: Economic Policy}, (2011): 24.} Finally, there is some evidence that for TANF leavers who lose work, Unemployment Insurance acts as a replacement safety net. One HHS-funded study found that among TANF leavers who lose work, 55 percent successfully draw unemployment benefits.\footnote{Department of Health and Human Services, “Temporary Assistance for Needy Families Program: Ninth Report to Congress,” (2012): 151. \url{https://www.acf.hhs.gov/sites/default/files/ofa/9th_report_to_congress_3_26_12.pdf}}

In addition to strict work requirements and lifetime limits, TANF also signaled the beginning of significant variation in the treatment of low-income families by states. Under the block grant structure, states are given significant discretion to choose where federal money is spent. Consequently, many states choose to divert funds to other budget priorities, such as Head Start, the Earned Income Tax Credit, and pregnancy prevention programs. In 2015, the Department of Health and Human Services found that just a quarter of TANF funds were used for cash assistance, down from 70 percent in 1997. In 2015, another 23 percent was used for child care and training programs, and the rest was divided between program management, tax credits, Head Start, foster care, and an assortment of other programs.\footnote{Department of Health and Human Services, “State TANF Spending in FY 2015.” \url{https://www.acf.hhs.gov/ofa/resource/state-tanf-spending-2015-factsheet}} Moreover, benefit levels across the country vary substantially, and some states have chosen to reduce cash assistance to mere subsistence levels. Maximum monthly benefit levels (benefits paid to a parent with no other sources of income) for a parent with two children range from $923 in Alaska to $170 in

Mississippi. In terms of sustaining a family, though, benefit levels are uniformly inadequate. In 2012, all states paid a maximum benefit to a parent with two children that was less than half of the federal poverty line.\footnote{Congressional Research Service, “TANF Eligibility and Benefit Amounts in State TANF Cash Assistance Programs,” (2014). \url{https://fas.org/sgp/crs/misc/R43634.pdf}} In 1997, the Republican author of welfare reform, Representative E. Clay Shaw, Jr, commented that the new law would likely not make everyone better off. Rather, it would differentiate between the aspirational and non-aspirational poor. “You’re going to have some who are just not going to be able to make it,” he said. “Welfare reform didn’t just present an opportunity. It also presented a certain amount of pain for not being able to take control of your life.”\footnote{Michael B. Katz, \textit{The Price of Citizenship: Redefining the American Welfare State}, New York: Henry Holt and Company (2001): 339.} The findings of Lichter and Crowley (2004), Crichton (2003), Shaefer and Edin (2012), and Bourdeaux and Pandey (2017) reveal just how many low-income families have found themselves “unable to make it.” From a macroeconomic perspective, poverty and deep poverty rates have increased since welfare reform was passed. Levels of the most extreme poverty, furthermore, more than doubled from 1996 to 2011.\footnote{H. Luke Shaefer and Kathryn Edin, \textit{Extreme Poverty in the United States, 1996 to 2011} (2012).} As child poverty increases, though, low-income families rely less on cash assistance than prior to welfare reform. As Floyd (2017) finds, just 23 of every 100 poor families receive TANF benefits, and Bourdeaux and Pandey (2017) observe that fewer leavers recidivate compared to the late 1990s. This is, undoubtedly, partly due to the five-year lifetime TANF limit. However, labor market earnings have not filled the gap left by cash assistance. Families that leave TANF—are sanctioned, timed-off, or no longer qualify due to increased earnings—tend to not maintain year-long employment. The jobs that leavers find tend to be temporary, unsteady, and low-pay. The majority of leavers remain below the
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poverty line. The evidence is thus strong that the safety net is failing to catch vulnerable families. Consequently, increasing numbers of children are spending greater lengths of time living in poverty. Considering the debilitating effects of child poverty on development and success, large numbers of kids are growing up without a fair shot at living decent, fulfilling lives. In such a rich country, most would agree that this is morally intolerable. Consequently, the dire condition of America’s children is an appropriate place to begin a serious discussion of universal child income.

Discussion of means-tested and universal programs

Before examining the specificities of a universal child income, the general differences between universal and means-tested programs should be noted. A universal child income would mark a significant break not just from TANF, but the entire welfare apparatus. First, and most obvious, is its universality. The term universal is sometimes misleading, as nearly all UBI proposals (including this one) exclude noncitizens. In this case, universal child income refers to a regular cash payment to the parental guardian of every American child (under the age of 18). A second distinction, following from the first, is the unconditional nature of universal programs. Among non-universal programs, conditionality imposes certain standards that must be met to acquire or retain eligibility. Means-testing is one version, in which eligibility is retained by meeting income requirements. Participation requirements are another form of conditionality; eligibility is tied to certain behavioral constraints. In the United States, participation usually means gainful employment or education. In other contexts, such as the participation income

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proposed by Tony Atkinson, it is broad enough to encompass volunteer work, caring for dependents, and other forms of social contribution.\textsuperscript{65}

A third distinction involves individuality—the standard unit at which payment is directed. United States social programs usually direct policy at the household level, often in an attempt to strengthen the nuclear family. From an administrative perspective, this decision entails certain challenges. Delineating household size and measuring household income are difficult in the face of different family lifestyle choices. This is especially true in America, where different cultural backgrounds have always produced different family norms. In contrast, a universal child income is directed at the child, without discriminating according to household structure, size, or income.

There are serious disadvantages to means-tested programs with which policymakers are forced to grapple. One intrinsic difficulty is high effective tax rates on increased income for beneficiaries. As TANF recipients earn more income, they qualify for less cash assistance, creating a disincentive for work. The Congressional Budget Office concludes that a single parent with one child can face effective marginal tax rates as high as 46 percent during benefit phaseout periods.\textsuperscript{66} In addition to high marginal tax rates, many families must satisfy asset tests to qualify for TANF. In 38 states, families with assets that exceed roughly $3,000 are disqualified from TANF, discouraging recipients from accumulating large savings.\textsuperscript{67} Six states have no asset limit attached to TANF, but nine states, including Pennsylvania, disqualify applicants with a mere $1,000 in assets.\textsuperscript{68}

A second difficulty with means-tested programs involves take-up rates. Even among those who are eligible, a substantial number inevitably fail to claim benefits. According to the Department of Health and Human Services, only about 30 percent of those who met TANF eligibility requirements in their state received benefits. Undoubtedly, take-up rates are affected by the attractiveness of benefits, and TANF’s low recipient levels reflect the amount of support offered in certain states. In contrast, take-up rates hovered around 80 percent for AFDC in the two decades prior to welfare reform.69 However, recipient rates are also explained by the stigma attached to public assistance, the difficulty of navigating the application process, and unawareness of the benefits people are entitled to. The literature particularly emphasizes that attempts to target benefits necessitate more complex applications, and consequently incur transaction costs. These costs impose barriers to a number of eligible persons. Kleven and Kopczuk model the effects of complex application processes on take-up rates and find that “transaction costs arising from complex application processes constitute important barriers to enrollment in social programs.”70

Low-income mothers interviewed in Harrisburg have complex relationships with the collection of programs making up America’s safety net. Nearly all presented an internally-contradictory set of experiences. On one hand, public assistance is essential; without it their lives would be incalculably more difficult. On the other, the bureaucratic and regulatory hurdles attached to public support are often sizeable obstacles in navigating life as an impoverished family. Enormous amounts of time are spent maneuvering application processes, satisfying eligibility requirements, and coping with an dense web of rules and procedures. For one mother,

previously homeless, Section 8 allowed her to move her family out of a shelter and into secure housing. “Section 8 is a good program,” she said approvingly. But her caseworker told her that the rent subsidy would not follow her if she moved to be near family in Philadelphia. The benefit provided an essential help, but it tied her to a place where life was difficult:

“So, um, there’s where it gets kind of tricky because I still have goals... Now that I have my fourth child, you know it’s a struggle every day now raising them. I wanted to go back to Philly where I could be near my family, where I could get help. But at the same time, I don’t want to lose my Section 8.”

For another woman, Amber, TANF was simultaneous enabling and limiting. Prior to finding work as a hotel maid, her only cash income was TANF. To stay eligible, she attended a training program, set up to funnel welfare recipients into work as quickly as possible.

Researcher: Were there ever times when you worried about maintaining that eligibility for TANF?

Amber: Yeah, there’s been plenty of times. When I wouldn’t have a babysitter, or the daycare be closed, so I would have to take [my children] to the program with me.

Researcher: Did you feel like the service they offered there, the employment program, did you feel like it was helpful?

Amber: No, not really. Because all you do is sit there and write. You only was able to get on the computers and look for a job once a day... You have to go every day a week, basically like a full-time job. And your weekends is off.

Adding to the difficulty, at the time of the interview Amber and her children were technically homeless. For the past nine months, her family had lived “house-to-house,” staying

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71 Cochran, Brenda
72 The research participants’ real names and other identifying information have been changed for confidentiality.
with a series of friends and family. She had no reliable transportation to the employment program or to job interviews. Nonetheless, she persisted in meeting TANF’s arduous requirements. Asked what would happen if she did not show up for the employment program, Amber responded “My TANF would get turned off.” Then, adopting the welfare office’s jargon, she added “It would be terminated.”

Objections

In 1926, F. Scott Fitzgerald began a short story entitled The Rich Boy with the infamous line, “Let me tell you about the very rich. They are different from you and me.” Ten years later, Earnest Hemingway quipped back in his own short story, The Snows of Kilimanjaro, the well-known reply: “Yes, they have more money.” An exchange ostensibly about what separates the rich from the rest of us mirrors a debate about what separates the poor from everyone else. For those who emphasize the behavioral roots of poverty, the poor are different from the middle-class not just because they have less money, but also in values, conscientiousness, and character. Isabel Sawhill of the Brookings Institute, for instance, argues that policymakers should acknowledge that poor people often behave in dysfunctional ways, and policy should be used to encourage better behaviors.73 In a conversation with Bill Kristol, Harvard professor Harvey Mansfield asserted that Republicans are right to recognize the central truth that “Some people are better than others” and “the people who earn their living or do better are entitled to greater rewards.”74 In Mansfield’s view, the market is good at rewarding people according to their merit,

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74 Conversations with Bill Kristol, “Harvey Mansfield VII Transcript.”
http://conversationswithbillkristol.org/transcript/harvey-mansfield-vii-transcript/
so poverty reflects a failure of character or effort. If this is true, then giving poor families money fails to solve root behavioral problems.

In this vein, a common critique of universal child income argues that unconditional benefits invite moral hazard. No-strings-attached benefits might be used in counter-productive ways—supporting addiction, for instance. The United States, especially, is traditionally hesitant to provide unconditional assistance. Assigning behavioral requirements to recipients is politically beneficial because it helps reassure taxpayers that welfare recipients are conscientious and aspirational. It also implies, mirroring Fitzgerald’s musings on the rich, that there is something different about the poor. They are not to be trusted with unconditional cash grants, which could as easily be spent on alcohol as a child’s medical care. Removing behavioral requirements, then, leaves greater room for concerns that beneficiaries will merely drop out of the labor market or use public funds to support private vices. The debate, at its core, is about the behavioral effects of unconditional benefits.

A considerable body of research investigates how unconditional benefits are spent and how they affect the behavior of recipients. At the University of Chicago and the Roosevelt Institute, Ioana Marinescu investigates the effects of three unconditional income programs—the Canadian negative income tax, Alaskan Permanent Dividend Fund, and the Eastern Band of Cherokees casino dividend program. Marinescu found little evidence of a decline in labor market supply in all three programs, and at most a slight decrease in hours worked. In the case of the casino and Alaskan dividends, the labor supply remained the same. In the case of the negative income tax, which reduces benefits as additional income is earned, a slight reduction in work was detected. The labor force declined by about four percent in response, and Marinescu
estimates that a $100 increase in income led to an $11 decrease in earnings—small, but still significant.\textsuperscript{75}

Marinescu’s research also gives insight into the question of how unconditional money is spent. The negative income tax data suggests that recipients spend more money on food, and that their nutritional health is positively affected. The money also allows children to stay in school longer. The Canadian Negative Income Tax is estimated to increase attendance, grades, and test scores for children, particularly younger and poorer kids. The dropout rate also noticeably declines in response to the NIT. In the case of the casino dividend, Marinescu estimates that an additional $4,000 in income for the poorest households increases educational attainment by one year.\textsuperscript{76}

A 40-year-old Canadian experiment also sheds light on how people spend unconditional benefits. In 1974, the province of Manitoba began a universal income trial. Thousands of low-income residents in the town of Dauphin were awarded a guaranteed income. Benefits were set at 60 percent of Canada’s low-income cutoff. The average individual received $3,386—about $16,000 in today’s dollars. The election of a Conservative government contributed to the project’s premature ending, and a final analysis was never conducted. In later years, a variety of researchers have analyzed the data to find how unconditional income affected participants. Studying the effects of the experiment on labor force participation, Hum and Simpson (1993) find a very modest negative association. Work participation decreased 1 percent for men, 3 percent for wives, and 5 percent for unmarried men.\textsuperscript{77} As Forget (2011) finds, the stronger decline among younger men may be due to adolescents staying in school longer. In addition to

labor force participation, Forget finds that recipients saw significant health benefits. Using hospitalization as an indicator of health, she notes that hospitalization decreased 8.5 percent among income recipients. 78

The United States government funded four experiments dealing with a negative income tax (NIT)—a form of basic income—between 1968 and 1980. Unlike universal income, NIT only gives money to low-earners. Nonetheless, studying NIT schemes contributes to the discussion of how families react to unconditional benefits. The studies took place throughout the country, included both rural and urban settings, and targeted both single and two-parent families. Analyzing the four studies, Wilderquist et al. (2005) discuss the effects on the labor supply. They find that, across all four experiments, a household’s work effort tended to decline by about 13 percent, from a starting point of 35 work hours per week. The majority of this reduction, however, came from secondary and tertiary earners. They note that “when measured in percentage terms, there were relatively small responses from the primary earner.” Mothers often opted to spend more time at home, especially after having children. Male children tended to work fewer hours, and the most important change was that they delayed entering the workforce, often to continue their education. 79 A thorough analysis of income guarantees, then, supports the claim that securing financial stability is a form of freedom. When poor families receive a guaranteed income—a cushion against the vicissitudes of life—they choose to live differently. In many cases, mothers opt to stay with their children, and children opt to stay in school.

Other research on how poor families spend additional income is based on the Earned Income Tax Credit (EITC) in the United States and the Child Tax Benefit (CCTB) and National

Child Benefit Supplement (NCBS) in Canada. The EITC subsidizes earned income of low-income families; it is designed to incentivize work. The CCTB is paid to parents based on their income, and non-working parents still benefit. The NCBS pays an annual benefit to parents equal to about $2,000 per child. Studying the National Child Benefit, Jones et al. (2015) exploit benefit changes in the NCBS and variation across regions to find stronger causal relationships between cash assistance and spending. Notably, the study finds that recipients exhibited large declines in what the researchers term “risky behavior”—tobacco and alcohol use. They find, in addition, that households tend to increase spending on food in stores, but spend less in restaurants. Families in the study also increase spending on education—reading, computers, and tuition—as well as recreation and transportation.80 Jones et al. (2015) offer compelling evidence that increased financial stability may cause some parents to reduce spending on destructive or counter-productive behaviors, and spend on more forward-thinking investments such as education. This is consistent with the research of Mullainathan and Shafir, who argue that financial security may increase the ability of low-income parents to plan and exercise self-control.

In sum, then, the predominant research on unconditional benefits strongly suggests that moral hazard fears are unfounded. While there may be, as Isabel Sawhill argues, behavioral aspects of poverty, policymakers should focus their attention on what happens when poor people are given more money. By-and-large, the evidence affirms that the poor are not destitute because they are dysfunctional, irresponsible with money, or of low character; they are poor because they have less money.

Aside from concerns about moral hazard, another recurring objection presented to guaranteed income proponents relates to cost. Depending on the size of the universal transfer, the

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program would range from moderately to significantly expensive. The Niskanen Center finds that a $2,000 child income would cost about $97 billion, although their proposal phases out benefits for high-income families. The Urban Institute estimates that a truly universal $3,000 income would cost $192 billion. The Century Foundation estimates the costs of a variety of child income programs. In their model, a $4,000 universal child income would cost $202 billion beyond the current child tax credit (about $46 billion), for a total cost of approximately $248 billion. For comparison, the United States currently spends about $112.5 billion on cash payments to children, in the forms of the Child Tax Credit, Federal Income Tax child exemption, and the federal TANF block grant. A truly universal child income, therefore, would represent a significant increase in the nation’s obligations to children.

Quantifying the benefits of a universal guaranteed income requires estimating the decrease in the poverty rate and accounting for the subsequent societal benefits. According to most estimates, the benefits of a generous child benefit in terms of poverty alleviation are staggering. The Century Foundation estimates that a universal $4,000 child benefit would reduce child poverty from 18.8 to 7.8 percent—lifting 8.1 million children out of poverty. The percentage of children living in deep poverty would fall from 4.7 to 1.6 percent. Although the efficiency gains flowing from this decrease are difficult to capture, several notable researchers have made sizeable steps toward a measure of the costs of poverty. Holzer et al (2008) estimate

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https://tcf.org/content/report/doing-more-for-our-children/
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the marginal costs of child poverty in the forms of increased crime, poorer health, and foregone earnings. They find that the total costs of child poverty in the United States total about $500 billion per year—the equivalent of 4 percent of GDP.86

A final objection to a universal child income—heard on both sides of the aisle—relates to fairness. Critics question why the government should give money to wealthy children, and why poor kids receive no more than other children. This critique strikes at the heart of the division between universal and means-tested programs. Proponents of means-tested programs often assert that targeting makes policy more efficient—assistance is only given to those who most need it. Moreover, universal benefits fail to directly reduce inequality, which invites criticism from some on the left. On the other hand, UBI advocates often respond that by increasing the number of stakeholders, universal programs receive more widespread support, boosting their longevity.

Perhaps the strongest defense of the principle of universalism is delivered by Swedish sociologists Walter Korpi and Joakim Palme. Studying the welfare states of 18 OECD countries, they argue that, paradoxically, universal programs tend to be more effective at reducing poverty and inequality than targeted programs. In their framework, institutions of the welfare state are backed by specific interests and coalitions among citizens. Due to the limited stakeholders involved, targeted programs are often unable to secure the loyalty of an electoral coalition with the same strength as universal programs. In times of stress, programs that direct benefits at the poor often incur a welfare backlash, in which a coalition of middle-income and upper-income voters dismantle social assistance. Consequently, “there tends to be a trade-off between the extent of low-income targeting and the size of redistributive budgets.”87 Rather than ensuring a

basic standard of living, targeted programs emphasize differentiating between the deserving and undeserving poor. Countries with targeted programs thus tend to devote fewer resources to the effort. Korpi and Palme write that “By practicing positive discrimination of the poor, the targeted model creates what amounts to a zero-sum conflict of interests between the poor on one hand and, on the other, the better-off workers and middle classes, who have to pay for the benefits of the poor without themselves receiving any benefits.”

When studying welfare and redistribution, then, it is important to note that the amount of resources devoted to social programs is not fixed, but is partly a consequence of institutional structures. Countries that adopt encompassing, universal programs tend to devote more resources to them and deliver more generous benefits, contributing to the paradox of redistribution.

It should be noted that, by definition, a universal child income is targeted toward children. By the typologies of Korpi and Palme, however, the most important distinguisher of universal programs is the absence of means-testing. That is, they are not need-based. Thus, programs such as a universal child income (as in public old-age pensions) are universal, even if they are targeted at an age demographic, if they benefit the citizenry regardless of need or class position.

Korpi and Palme wrote their famous essay on redistribution and universalism in 1998. In recent years, researchers have repeated their analysis with updated data. Jacques and Noël (2016) find, using more sophisticated analytics and a more complete body of data, that the paradox of redistribution remains true. In their words, “countries where social programs are less anchored in universality have less generous redistributive budgets and are less effective in redistributing income and reducing poverty; countries with more encompassing welfare states spend more on

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transfers and services and do more to redistribute and reduce poverty.”

Thus, a considerable body of research on welfare state typologies and redistribution suggests that investing in encompassing programs, such as a universal child income, is neither regressive nor unfair. Rather, the evidence proposes that a universal income, due to its institutional structure, may possess greater resiliency, longevity, and redistributive capacity than a means-tested counterpart.

**A normative case**

A strong case can be made that a guaranteed income for children is sound policy, on grounds of efficiency, practicality, and effectiveness. The normative case for universal children’s income, equally compelling, rests on principles of justice.

Amartya Sen, developing the Capabilities Approach to Justice, argues that a just society requires enabling each member to pursue their full potential. In such a society, individuals are empowered to enact their conception of the good life, and the entire polis flourishes as a result. The Capabilities Approach acknowledges the creativity and uniqueness of each member, while also asserting that individual pursuits require the nurturing of certain common goods. To pursue a good life, people require basic functionings like good health, education, and a minimum standard of living. As Van Parijs (1995) writes, a truly free society “is such that each person has the greatest possible opportunity to do whatever she might want to do.”

Moreover, the vastly unequal distribution of resources ensures that absent public intervention, this ideal will remain unsatisfied. Inevitably, the public sphere has a significant role to play in ensuring each individual’s opportunity to become who they wish to be.

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A number of societal and economic forces act to constrain choice. Poor schools limit the educational opportunities of some children, inadequate health care can be physically incapacitating, and unsafe neighborhoods subject some people to crime and natural disasters. Sen, Van Parijs, and others would argue that a more just society seeks to minimize these constraints on freedom to the best of its ability.

Other constraints are imposed by government. As Ackerman (2003) and others argue, eligibility standards which require parents to find work to retain benefits can narrow the options available to many. Some work, after all, is stimulating, ennobling, and opens doors to better things. Other forms of work are degrading and dehumanizing, with little opportunity for self-improvement. Ackerman argues that parents should be trusted to distinguish between these types. As the evidence shows, work requirements tend to draw low-income mothers into uncertain, temporary work. A substantial percentage recidivate to the TANF rolls. Those who leave TANF to work often subsist near the poverty line, and a disturbing number are detached from both public benefits and the labor market. It seems unfathomable that under the current system, the state is somehow absolved of responsibility toward this group.

To echo the language of Karl Polanyi, a guaranteed income for children could expand freedom by helping to decommodify the labor of low-income parents. Unconditional income would grant a freedom that poor workers since the Industrial Revolution have lacked—the freedom to withhold their labor from the market until they wish to enter. Affluent workers often have this ability. The wealthy and well-connected have the choice to remain outside the labor market—residing in a parent’s basement, perhaps, or living off of savings—until they find satisfactory employment. Their work is decommodified in the sense that they are not forced to immediately trade their labor for a wage. In the instances when unconditional income is
implemented, researchers find that especially secondary and tertiary earners in working-class families sometimes exercise freedom from the labor market. Wilderquist et al. (2005) and Forget (2011) both find that under unconditional benefit programs, mothers oftentimes opt to spend more time with their children. Teenage males often choose to continue their education rather than enter the workforce. In both cases, unconditional benefits reveal what people would choose to do if they were not forced by necessity to earn a wage. In this way, a universal child income would help extend a freedom to low-income parents that is typically reserved for the affluent.

One strength of a UBI for children, then, is that it helps enable society’s members to choose the kind of life they wish to live. Research strongly suggests that a guaranteed income could allow low-income children to stay in school longer, earn greater lifetime income, and enjoy better health. In the Capabilities Approach, these outcomes are not only ends in themselves, but also means that grant people a greater abundance of choice. People with better health, financial stability, and more education are better able to discover and pursue the good life, however they envision it.
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