

January 18, 1993

A COMPREHENSIVE URBAN POLICY: HOW TO FIX WELFARE AND REVITALIZE AMERICA'S INNER CITIES

Let's make welfare a second chance, not a way of life. I want to erase the stigma of welfare for good by restoring a simple, dignified principle: no one who can work can stay on welfare forever.

It's time to honor and reward people who work hard and play by the rules....that means providing opportunity, demanding responsibility, and ending welfare as we know it.

Bill Clinton,
"On Rewarding Work" (Clinton campaign document)

EXECUTIVE SUMMARY

Your own comments during the campaign, President-elect Clinton, show that you recognize—like most Americans—that the welfare system is a failure. It has been 25 years since the urban riots of the 1960s led President Lyndon Johnson to ask Congress for a massive expansion of urban welfare programs. But the 1992 riots in Los Angeles show the problems of the inner city have not been solved. Indeed, in most respects, they have become worse.

This is not because of a lack of government spending. In 1990, federal, state, and local governments spent \$226 billion on assistance programs for low-income persons.¹ This figure includes only spending on programs for the poor and near-poor; it excludes middle-class entitlements such as Social Security and Medicare. Adjusting for inflation, total welfare spending in 1990 was five times the level of spending in the mid-1960s, when the War on Poverty began. In fact, total welfare spending on the War on Poverty since 1964 has been \$3.5 trillion (in constant 1990 dollars)—an amount, after adjusting for inflation, greater than the entire cost of World War II.

¹ Robert Rector, "The Paradox of Poverty: How We Spent \$3.5 Trillion Without Changing the Poverty Rate," *Heritage Lecture* No. 410, p. 1.

The plight of America's inner cities is powerful testimony not only to government failure in welfare, but also to the deterioration of the criminal justice and education systems. The welfare problem is not merely the very high level of spending; it is that nearly all welfare expenditure is replete with perverse incentives that promote self-destructive behavior among the poor. Similarly, America's criminal justice system has failed utterly in its basic task of removing dangerous repeat felons from the inner-city communities where they victimize the law-abiding poor at a terrifying rate. And while it is bad enough that America's public school system has arrested the intellectual development of middle-class youth, as evidenced by virtually every measure of academic performance, the real catastrophe is that in many cases it has left the children of the urban poor without even basic reading and math skills.

Complicating your attempts to reform welfare and urban policy is that too many self-proclaimed minority cultural and political leaders, as well as urban power brokers, have watched the alarming decline of moral values and family structure in the inner city with apparent indifference. When the War on Poverty began in the mid-1960s, roughly one out of four black children was born out of wedlock. Today the figure is two out of three. Similar trends have occurred among low-income whites. But too many powerful political and community leaders not only remain silent about these problems, they actively criticize reformers who dare to comment on them.

As President, you must take the lead to reform the anti-poverty system, and thus give substance to your bold campaign promises. Specifically, there are five actions you must take to begin to address the disastrous condition of America's inner cities:

Action 1: Take steps that will achieve a comprehensive reform of the welfare system.

Americans increasingly recognize that the current welfare system is harming the poor rather than helping them. Welfare has undermined the family and promoted long-term dependency. Your Administration can fulfill your solemn pledge to transform welfare from a one-way hand-out into a system of mutual obligation. As Ben Wattenberg, your vocal supporter at the American Enterprise Institute, has observed, welfare reform is the "read my lips" pledge of the Clinton Administration. You must deliver on it. You must achieve legislation that will require responsible behavior from welfare recipients as a condition of receiving benefits. You must also win changes in the law that will convert welfare from a system which rewards non-work and single parenthood into one which rewards work and marriage. The most important factor in changing the welfare incentive system is to require most able-bodied welfare recipients to work in exchange for the benefits they receive.

Action 2: Improve inner-city education by supporting real school choice.

Your Administration must also improve the education of low-income children by promoting true competition in education. This means nothing less than empowering low-income parents, through vouchers, to choose the schools their children will attend. Choice must not be restricted to public schools only. In many inner cities, the only schools that provide an acceptable level of education are private. The rich and powerful already have school choice; the poor and powerless do not. If you and Al Gore and Jesse Jackson all can decide to send your children to private schools, a poor parent should have the same choice.

Including religious schools in any education choice plan is also crucial. The reason: The empirical evidence supports the role of religious institutions in improving the quality of life of inner-city children. The inner-city church is the primary bulwark in the fight against crime, poverty, and despair. Religious belief is the strongest single factor in determining whether or not a poor child will finish school and escape from poverty. An urban policy which ignores the role of religious institutions is doomed to failure.

Action 3: Create jobs by signing enterprise zone legislation.

By removing high taxes and excess government regulation, enterprise zones can create jobs and economic opportunity in designated urban areas. The majority of states have enacted such zones, and they have proved successful.² The effectiveness of urban enterprise zones can be greatly expanded if the federal government joins state and local governments in offering regulatory and tax relief within the targeted areas. Legislation was passed by both houses of Congress last year, as part of a huge tax bill, and was vetoed by George Bush. Ask for the enterprise zone provisions to be strengthened and sent to you as a separate bill, and then sign it.

Action 4: Launch a War on Crime.

America's crime rate is alarming. And the most frequent victims of crime are black and poor. High crime rates also drive business and jobs out of the inner city. But this problem can be controlled if your Administration has the will to do it.

The majority of serious crime is committed by no more than three percent of the male population. But the criminal justice system today operates like a revolving door, arresting chronic criminals repeatedly, and quickly dumping them back into urban communities where they prey on their poor victims again and again.

The key to restoring public safety in urban America is to incarcerate these persistent criminals and keep them off the streets. To do this, you should commit your Administration to encouraging a significant expansion of prison capacity at the state and local level. The reward: Repeat offenders can be locked away where they can do no further harm to the community.

Action 5: Lead a campaign to restore moral values and personal responsibility within the inner-city communities.

The plight of the inner-city poor is rooted in underclass behaviors: illegitimacy, non-work, crime, and drugs. These behaviors are in turn molded by the prevailing values and norms of low-income communities. As President, you must raise to national prominence a "new breed" of community leaders who will be heard and respected by the inner-city poor. These leaders must promote moral renewal within urban communities, restoring a sense of respect to study and learning, the dignity of all labor, and the sanctity of marriage. They must stress the broad opportunities available to Americans of all races and the enduring link between personal values and behavior and success or failure in our society.

The problems of the inner city are severe and the task before you is great. However, if you adhere to your campaign promise to break sharply with liberal policies of the past, the potential for improving the lives of disadvantaged Americans is also great.

HOW WELFARE HAS HARMED THE POOR

Welfare spending by federal, state, and local governments reached a record high of \$226 billion in 1990, the latest year for which complete data are available. This amounted to 4.1 percent of America's gross national product. This is the same proportion that was spent during the Great Depression of the 1930s, when a quarter of the labor force was unemployed. Total welfare spending is now more than twice the level needed to raise the incomes of all poor Americans above the official poverty income thresholds.

² Carl F. Horowitz, Ph.D., "New Life for Federal Enterprise Zone Legislation," Heritage Foundation *Background* No. 833, June 4, 1991, p. 3.

The reason that Americans are so critical of the welfare system is not just its very high costs, but also the accurate perception that welfare actually has harmed the very poor people it is intended to help.

To understand why this is so, and how to reform the system, one must begin with an understanding of two separate concepts of poverty: "material poverty" and "behavioral poverty." Material poverty means, in the simplest sense, having a family income below the official poverty income threshold, which was \$13,942 for a family of four in 1991. To the ordinary American, to say someone is "in poverty" implies that he is malnourished, poorly clothed, or lives in filthy, dilapidated, and overcrowded housing. In reality, there is little material poverty in the U.S., at least in the sense generally understood by the public.³

Many of your advisors no doubt will tell you that poverty is widespread. But as they tell you this, you must maintain a historical perspective. Remember that in 1990, after adjusting for inflation, the per capita expenditures of the one-fifth of the U.S. population with the lowest income exceeded the per capita income of the median American household in 1960.⁴

Beware also of claims of widespread hunger and malnutrition among the poor. There is little or no poverty-induced malnutrition in the U.S. Persons defined by the U.S. government as "poor" have almost the same average level of consumption of protein, vitamins, and other nutrients as persons in the upper middle class.⁵ Children living in "poverty" today, far from being malnourished, actually grow up to be one inch taller and ten pounds heavier than the average child of the same age in the general population in the late 1950s.⁶ The principal nutrition-related problem facing poor persons in the United States today is not "hunger"—it is obesity. Remarkably, the poor in the U.S. have a higher rate of obesity than do members of other socioeconomic groups.

Likewise, you must resist liberal propaganda that America's poor are generally ill-housed. "Poor" Americans have more housing space and are less likely to be overcrowded than the average citizen in Western Europe.⁷ Nearly all of the American poor live in decent housing that is reasonably well-maintained. In fact, nearly 40 percent of the households defined as "poor" by the U.S. government actually own their own homes.⁸

While few of today's poor are malnourished or ill-clothed, many suffer from what might be called poverty of the spirit, a "behavioral poverty." Behavioral poverty refers to a breakdown in the values and conduct which lead to the formation of healthy families and communities, stable personalities, and self-sufficiency. It incorporates a cluster of social pathologies, including: eroded work ethic and dependency, a lack of educational aspiration and achievement, the inability or unwillingness to control one's children, increased single parenthood and illegitimacy, criminal activity, and drug and alcohol abuse. While material poverty may be rare in the United States, behavioral poverty is entrenched and growing.

³ Robert Rector, "How the Poor Really Live: Lessons for Welfare Reform," Heritage Foundation *Backgrounder* No. 875, January 31, 1992.

⁴ Robert Rector, Kate Walsh O'Beirne, and Michael J. McLaughlin, "How Poor are America's Poor?" Heritage Foundation *Backgrounder* No. 791, September 21, 1990, p. 2.

⁵ Robert Rector, "Food Fight: How Hungry Are America's Children?," *Policy Review*, Fall 1991, pp. 38-43. Robert Rector, "Hunger and Malnutrition Among American Children," Heritage Foundation *Backgrounder* No. 843, August 2, 1991.

⁶ Bernard D. Karpinos, *Height and Weight of Military Youths* (Medical Statistics Division, Office of the Surgeon General, Department of the Army, 1960), pp. 336-351. Information on the current height and weight of youths provided by the National Center for Health Statistics of the U.S. Department of Health and Human Services based on the National Health and Nutrition Examination Survey.

⁷ Rector, "How the Poor Really Live," *op. cit.*, pp. 12-13.

⁸ *Ibid.*

The central dilemma of the welfare state is that the prolific government spending intended to alleviate material poverty has led to a staggering increase in "behavioral poverty." The War on Poverty may have raised the material standard of living of some Americans, but at the cost of creating whole communities where traditional two-parent families have vanished, work is rare or non-existent, and multiple generations have grown up dependent on government transfers.

Negative Incentives. This happens because the current welfare system is plagued with negative incentives. It is a system which offers each single mother with two children a "pay-check" of combined benefits worth an average of between \$8,500 and \$15,000, depending on the state.⁹ The mother has a contract with the government: She will continue to receive her "paycheck" as long as she fulfills two conditions:

- 1) She must not work; and
- 2) She must not marry an employed male.¹⁰

Thus, the system makes marriage economically irrational for most low-income parents. It converts the low-income working husband from a necessary breadwinner into a net financial handicap. It transforms marriage from a legal institution designed to protect and nurture children into an institution which financially penalizes nearly all low-income parents who enter into it.

Across the nation, the current welfare system has all but destroyed family structure in the inner city. Welfare establishes strong financial disincentives effectively blocking the formation of intact, two-parent families. Example: Suppose a young man in the inner city has fathered a child out of wedlock with his girlfriend. If this young father abandons his responsibilities to the mother and child, government will step in and support the mother and child with welfare. If the mother has a second child out of wedlock, as is common, average combined benefits will reach around \$13,000 per year.

If, on the other hand, the young man does what society believes is morally correct and behaves responsibly, that is, marries the mother and takes a job to support the family, government policy takes the opposite course. Welfare benefits would be almost completely eliminated. If the young father makes more than \$4.50 per hour, the federal government actually begins taking away his income through taxes. The Family Support Act of 1988 will permit the young father to marry the mother and join the family to receive welfare, but only as long as he does not work.¹¹ Once he takes a full-time job to support his family, the welfare benefits are quickly eliminated and the father's earnings are subject to taxation.

Significantly, the onset of the War on Poverty coincided with the disintegration of the low-income family—the black family in particular. At the outbreak of the Second World War, the black illegitimate birth rate was slightly less than 19 percent. Between 1955 and 1965 it rose slowly, from 22 percent in 1955 to 28 percent in 1965. But beginning in the late 1960s, the relatively slow growth in black illegitimate births skyrocketed—reaching 49 percent in 1975 and 65 percent in 1989. If current trends continue, the black illegitimate birth rate will reach 75 percent within ten years. Similar trends are occurring among low-income whites.¹²

⁹ This sum equals the value of welfare benefits from different programs for the average mother on AFDC.

¹⁰ Technically the mother may be married to a husband who works part-time at very low wages and still be eligible for some aid under the AFDC-UP program. However, if the husband works a significant number of hours per month even at a low hourly rate, his earnings will be sufficient to eliminate the family's eligibility to AFDC and most other welfare.

¹¹ The 1988 federal welfare law required all states to establish an AFDC-UP program by October 1, 1990. Prior to passage of the 1988 welfare law, 23 states did not have an AFDC-UP program; those states are allowed to limit AFDC-UP cash benefits to six months, but are required to continue to provide Medicaid as long as the family was otherwise eligible for AFDC.

Generous welfare benefits to single mothers have contributed directly to the rise in illegitimate births.¹³ Recent research by C. R. Winegarden, of the University of Toledo, found that half of the increase in black illegitimacy in recent decades could be attributed to the effects of welfare.¹⁴ Research by Shelley Lundberg and Robert D. Plotnick, of the University of Washington, shows that an increase of roughly \$200 per month in welfare benefits per family causes the teenage illegitimate birth rate in a state to increase by 150 percent.¹⁵ June O'Neill of Baruch College in New York City has found that a 50 percent increase in the value of monthly Aid to Families with Dependent Children (AFDC) and Food Stamp payments results in a 43 percent increase in the number of out of wedlock births in a state.¹⁶ Similarly, high benefits discourage single mothers from remarrying. Research by Dr. Robert Hutchens of Cornell University shows that a 10 percent increase in AFDC benefits in a state will cause a decrease in the marriage rate of all single mothers in the state by 8 percent.¹⁷

Penalizing Work. Among the poor, another devastating legacy of the past 25 years has been the dramatic reduction in work effort. For a growing number of poor Americans, the existence of generous welfare programs makes not working a reasonable alternative to long-term employment. During the late 1960s and early 1970s, social scientists at the Office of Economic Opportunity (OEO) conducted a series of controlled experiments to examine the effect of welfare benefits on work effort. The longest running and most comprehensive of these experiments was conducted between 1971 and 1978 in Seattle and Denver, and became known as the Seattle/Denver Income Maintenance Experiment, or "SIME/DIME."

Advocates of expanding welfare had hoped that SIME/DIME, and similar experiments conducted in other cities, would prove that generous welfare benefits did not adversely affect work effort. Instead, the SIME/DIME experiment found that every \$1.00 of extra welfare given to low-income persons reduced labor and earnings by \$0.80.¹⁸ The results of the SIME/DIME study are directly applicable to existing welfare programs: Nearly all have strong anti-work affects such as those studied in the SIME/DIME experiment.

The effects of welfare in undermining the work ethic are quite apparent. In the mid-1950s, nearly one-third of poor households were headed by an adult who worked full time throughout the year. Today, with greater welfare benefits available, only 16.4 percent of poor families are headed by a full-time working adult.

Inter-Generational Dependence. Of the 4.4 million families currently receiving assistance through AFDC, well over half will remain dependent for over ten years, many for fifteen years or longer.¹⁹ Welfare dependency also appears to spread from one generation to another. Children raised in families that receive welfare assistance are themselves three times more likely to

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- 12 U.S. Department of Health and Human Services, National Center for Health Statistics. Note: The black illegitimate birth rate is available only from 1969 on. The pre-1969 black illegitimate birth rates were calculated using the very similar "non-white" rate.
 - 13 For a review of the relationship between welfare and family structure, see Charles Murray, "Welfare and the Family: The U.S. Experience," *Journal of Labor Economics*, forthcoming.
 - 14 C.R. Winegarden, "AFDC and Illegitimacy Ratios: A Vector Autoregressive Model," *Applied Economics*, March 1988, pp. 1589-1601.
 - 15 Shelley Lundberg and Robert D. Plotnick, "Adolescent Premarital Childbearing: Do Opportunity Costs Matter?" June 1990, a revised version of a paper presented at the May 1990 Population Association of America Conference in Toronto, Canada.
 - 16 M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants*, forthcoming paper; research funded by Grant No. 88 ASPE201A, U.S. Department of Health and Human Services.
 - 17 Robert Hutchens, "Welfare, Remarriage, and Marital Search," *American Economic Review*, June 1989, pp. 369-379.
 - 18 Gregory B. Christiansen and Walter E. Williams, "Welfare Family Cohesiveness and Out of Wedlock Births," in Joseph Peden and Fred Glahe, *The American Family and the State* (San Francisco: Pacific Institute for Public Policy Research, 1986), p. 398.
 - 19 David Elwood, *Targeting "Would-be" Long-term Recipients of AFDC* (Washington, D.C.: U.S. Department of Health and Human Services, January 1986), p. 5.

be on welfare than other children when they become adults.²⁰ This inter-generational dependency is a clear indication that the welfare system is failing in its goal to lift the poor from poverty to self-sufficiency.

Effects of Family Disintegration. The collapse of family structure in turn has crippling effects on the health, emotional stability, educational achievements, and life prospects of low-income children. Children raised in single-parent families, when compared to those in intact families, are one-third more likely to exhibit behavioral problems such as hyperactivity, antisocial behavior, and anxiety. Children deprived of a two-parent home are between two and three times more likely to need psychiatric care than those in two-parent families.²¹ And they are more likely to commit suicide as teenagers.

Absence of a father also increases the probability that a child will use drugs and engage in criminal activity.²² Recent research by June O'Neill, for example, shows that young black men raised in single-parent families are twice as likely to engage in criminal activity when compared with young black men raised in two-parent families—even after holding constant a wide range of variables such as family income, urban residence, neighborhood environment, and parents' education.²³

Because the father plays a key role in a child's cognitive development, children in single-parent families score lower on IQ tests and other tests of mental ability.²⁴ Children in single-parent families are three times more likely to fail and repeat a year in grade school than are children in two-parent families. In all respects, the differences between children raised in single-parent homes and those raised in intact homes are profound, and such differences persist even if single-parent homes are compared to two-parent homes of exactly the same income level and educational standing.²⁵

But the greatest tragedy is that children from broken homes, when they have grown to adulthood, tend to pass on the same problems to their own children. Weakened in their own development, children from single-parent homes are markedly less likely to be able to establish a stable married life when they become adults. Young white women raised in single-parent families are 164 percent more likely to bear children out of wedlock themselves and 111 percent more likely to have children as teenagers. If these women do marry, their marriages are 92 percent more likely to end in divorce than are the marriages of women raised in two-parent families. Similar trends are found among black women.²⁶ Family instability and its attendant problems are thus passed on to future generations.

20 M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants* (New York City, City University of New York, Baruch College, March 1990).

21 Dr. Deborah A. Dawson, "Family Structure and Children's Health and Well-being: Data from the 1988 National Health Interview Survey on Child Health," presented at the Annual Meeting of the Population Association of America, Toronto, May 1990, Table 5.

22 Nicholas Davidson, "The Daddy Dearth," *Policy Review*, Winter 1990, p. 43.

23 Hill and O'Neill, forthcoming, *op. cit.*

24 Marybeth Shinn, "Father Absence and Children's Cognitive Development," *Psychological Bulletin*, Vol. 85, No. 2 (1978), pp. 295-324.

25 Dawson, *op. cit.*; Davidson, *op. cit.*

26 Irwin Garfinkel and Sara S. McLanahan, *Single Mothers and Their Children: A New American Dilemma* (Washington, D.C.: The Urban Institute Press, 1986) p. 31.

HOW TO BRING HOPE TO POOR COMMUNITIES

During the campaign, Mr. Clinton, you seemed aware of the problem. Hopefully you understand its immensity. If so, you will appreciate that you must take bold action on several fronts.

Action 1: Take steps that will achieve a comprehensive reform of the welfare system.

If you are to deliver on your pledge to bring about serious and permanent change in the system, you must promote comprehensive reforms which maintain a balance between two key themes. First, you must seek to increase the rewards for work and marriage among low-income families. Second, you must reduce the rewards currently provided in the form of welfare for non-work and single parenthood. Reforms which fail to follow this balanced approach will be unsuccessful. Comprehensive reform of this kind must have seven components:

- 1) **Reduce, not expand, benefits.** Welfare benefits for families on AFDC should be reduced, particularly in states with high benefit levels. Most Americans do not realize that AFDC recipients are eligible for benefits from nearly one dozen major welfare programs. In all but five states, the combined value of benefits received by the average AFDC family exceeds the federal poverty income threshold. As noted, higher monthly benefit levels lead to more illegitimate births, more single parenthood, and less work. Moreover, there is considerable inequality in welfare benefit levels within each state. Because some families receive aid from many programs, they will have combined benefits much greater than other welfare families of the same size and characteristics within the state. For example, AFDC families which also receive housing aid will have overall benefits some \$4,000 to \$5,000 higher than other AFDC families within the state. In almost every state such families will have combined welfare benefits well above the poverty threshold. Your Administration should introduce legislation to reduce AFDC payments to families who also receive housing aid.
- 2) **Enact legislation that will establish and enforce serious work requirements.** The federal government should require some, though not all, welfare recipients to work in exchange for benefits received, a concept you have already endorsed in principle. Non-elderly and non-disabled recipients of Food Stamps and individuals who have received Unemployment Insurance for over six weeks should be required to perform community service for at least twenty hours per week.²⁷ Within the AFDC program, mothers who do not have children under age five or who have received AFDC for over five years should be required to perform community service for at least 35 hours per week in exchange for benefits. In all two-parent families receiving AFDC, one parent should be required to work. For all programs the work requirement should be permanent, lasting as long as the individual or family receives benefits.

This policy would specifically exempt most mothers with pre-school children from the work requirement. Because of the high costs of providing daycare, work requirements for mothers with pre-school children probably would increase rather than cut total welfare costs. Moreover, you should be cautious about any policy which separates young children

²⁷ Requiring someone to perform community service means that they would perform useful functions in government or in non-profit private sector organizations. Community service is also called "work experience." Many legislators argue that they would like to require welfare recipients to work in for-profit sector jobs, but this expectation is unrealistic because few private sector employers are willing to employ persons who literally have to be forced to work. However, requiring the recipient to perform community service with a government organization removes the recipient's option of receiving welfare income without labor. The work requirement makes welfare less attractive relative to employment and will thereby induce many recipients to take real private sector jobs.

from their mothers, as this may have a significant negative effect on the children's development. Thus a well-designed work program generally should not include mothers with young children, at least initially; however, a second rule that all mothers who have received AFDC payments for over five years, either continuously or in separate periods, is needed to discourage mothers from intentionally having additional children to avoid their work obligation.

If such a work policy were enacted and enforced, roughly 50 percent of AFDC mothers would be required to work as a condition of receiving benefits. This would be an enormous improvement over the present rate. In the average state today, only 7 percent of AFDC mothers participate in job search, work, or training programs. You can change this, if you put serious policy initiatives behind your solid rhetoric.

- 3) **Enact legislation requiring responsible behavior as a condition of assistance.** You should require responsible behavior as a condition of receiving welfare benefits. This would include insisting that unmarried, minor mothers reside with their parents or in some other adult-supervised setting, and reducing payments to mothers who fail to provide their children with free immunizations. Most important, mothers who bear additional children while they are already receiving welfare should not receive an increase in welfare benefits.
- 4) **Promote paternity establishment and enhance enforcement of child-support payments.** Single mothers should not be eligible for welfare unless they are willing to identify the father of their children. Contrary to popular perception, most unwed mothers are not promiscuous; the father of the child is well-known to them. In cases where it is unclear which male is the father, modern scientific methods permit the true biological parent to be determined with nearly absolute certainty. All single mothers prospectively enrolling in the AFDC program should be required to have paternity for their child legally established as a condition of receiving benefits. The absent fathers then should be required to pay child support to offset at least some of the costs of providing welfare to their children. If an absent father claims he cannot pay child support because he cannot find work, he should be required to perform community service to pay off his child-support obligations.

Establishing a rigorous paternity and child-support system would greatly reduce the incentives for young males to enhance their macho image by siring children out of wedlock whom they have no intention of supporting. Another benefit of the policy is that it would increase the rewards to responsible couples who marry relative to those who do not. Thus, over time, it would encourage marriage. But, a word of warning: The government should avoid aggressively pursuing child support payments among young, low-skilled males without a firm community service requirement for absent fathers who claim they are unemployed. Aggressive child-support activities toward this group, without an accompanying community service requirement for fathers who fail to pay child support, would counterproductively induce many young men to leave the labor force, or work "off the books," to evade child support obligations.

- 5) **Require states to enforce education requirements.** You should issue regulations requiring states to rigorously enforce the current federal law requiring all those AFDC mothers under age eighteen who have not completed high school or passed a GED, to attend school. In order to avoid the undesirable effects of separating infants from their mothers, mothers with infant children should not be required to participate more than twenty hours per week.

- 6) **Enact legislation to provide tax credits or vouchers for medical coverage to all working families.** The current welfare system, which provides free medical coverage to single parents and non-working two-parent families on AFDC, but does not provide medical assistance to low-income working families, discourages both work and marriage. The federal government could reduce the anti-work/anti-marriage effects of welfare by enacting the comprehensive medical reform proposed by Heritage Foundation scholars in *A National Health System for America*.²⁸ The Heritage Foundation's Consumer Choice Health Plan would give federal tax credits and vouchers to low-income working families not eligible for Medicaid for the purchase of medical care, including catastrophic insurance coverage.
- 7) **Support legislation to provide tax relief to all families with children.** The federal government heavily taxes low-income working families with children. A typical family of four making \$20,000 a year currently pays \$3,780 in federal taxes.²⁹ This heavy taxation reduces the rewards of work and marriage relative to welfare, and thus promotes dependence. A crucial step in welfare reform is broad family tax relief along the lines proposed in the Heritage Foundation's study, *A Prosperity Plan for America: How to Strengthen Family Finances, Revive the Economy and Balance the Budget*.³⁰ This plan would provide a \$1,000 tax cut for each school-age child in a family and a \$1,500 tax cut for each pre-school child; such tax credits could be used to reduce the family's income tax liability and both the employee and employer share of the Social Security payroll tax. The revenue loss of these tax credits would be matched by corresponding spending cuts enforced by capping the growth of total federal domestic spending. The plan thus would not add to the federal deficit.

Action 2: Improve inner-city education by supporting real school choice.

Despite nearly a decade of "reforms" following the publication of the National Commission on Excellence in Education's *A Nation at Risk* in 1983, there is little evidence that America's system of government education has improved. For low-income students trapped in decaying inner-city government schools, student achievement has not only stagnated or declined, but the schools themselves have also become virtual war zones. Every year nearly three million criminal acts are attempted or completed inside the schools and on school property; every month nearly 300,000 high school students are physically attacked. The Detroit school district was even shut down for two days in 1987 after 102 school-age children under the age of sixteen were shot during a four-month period.³¹

In addition to rampant violence, low-income students in the inner-city must cope with schools that generally provide the lowest quality education. This discourages students who want to learn and stifles academic achievement. In the Milwaukee, Wisconsin, public schools, for example, only 2 percent of black male children have a grade point average above 3.0. In some inner-city school districts, the high school dropout rate routinely exceeds 40 percent. Even among those low-income, inner-city students who manage to survive the mayhem and stay in school long enough to receive a high school diploma, student achievement levels are

28 Stuart M. Butler and Edmund F. Haislmaier, eds., *A National Health System for America* (Washington, D.C.: The Heritage Foundation, 1989). See also Stuart M. Butler, "A Policy Maker's Guide to the Health Care Crisis, Part II: The Heritage Consumer Choice Health Plan," Heritage Foundation *Talking Points*, March 5, 1992.

29 Figures are for 1991.

30 Scott A. Hodge, ed., *A Prosperity Plan for America: How to Strengthen Family Finances, Revive the Economy and Balance the Budget* (Washington, D.C.: The Heritage Foundation, 1992).

31 Karl Zinsmeister, "Growing Up Scared," *The Atlantic Monthly*, June 1990, p. 50.

chronically poor. For example, half of the Chicago public high schools rank in the bottom 1 percent of the nation in scholastic achievement.³²

While the educational changes during the past decade have resulted in higher teacher salaries, higher per-pupil expenditures, and smaller class sizes, the fundamental structure and delivery of education has changed very little. In the current government school monopoly, the needs of consumers (and especially poor consumers) are subordinate to special interests. The central office of the New York City public schools, for example, employs nearly 7,000 bureaucrats for its approximately 900,000 students—a ratio of one bureaucrat for every 155 students. The New York City Catholic schools, on the other hand, have fewer than 35 employees in the central office—a ratio of one for every 4,000 students.³³ Thus it is not surprising that in 1989 in New York City's public schools only 32 percent of the \$6,107 allocated per pupil actually reached the classroom; the remaining 68 percent disappeared in administrative costs and overhead.³⁴

The enormous government school bureaucracies and the politicized environment in which they function leave little room for innovation necessary to create the types of schools children need and parents want. Without competition and the threat of losing students and the dollars that come with them, it is impossible for the government school monopoly to change.

The needs of poor parents are routinely ignored. The large government school monopolies which dominate education in almost every major American city lack the incentives to improve the quality of education. The reason: They know the poor have no alternatives. In urban public school districts like Chicago, where the quality of education is notoriously low, those who can afford it usually send their children to private schools. In fact, 46 percent of public school teachers in Chicago—the very people who work in the system and know how bad it really is—send their children to private schools, while only 22 percent of all people with school-age children do so.³⁵

Because the inner-city poor cannot escape into private schooling, they bear the heaviest burden of the failure of the government-run schools. Unlike nearly half of all Chicago public school teachers, the poor do not have the choice to “opt out” of dismal government schools. And unlike middle- and upper-class Americans, who can afford to either purchase homes in the suburbs or—as you have done—choose private schools, poor children are “left behind” with an increasingly sub-standard education. The poor's inability to choose alternative educational opportunities leaves them little or no leverage in dealing with the government school bureaucracy. Poor children and their parents will gain leverage only when their status with the government school monopoly changes from “guaranteed clients” to “education consumers.”

The poor must be given the opportunity to take their business elsewhere. Your Administration can help them do precisely that. There are two steps you can take:

Step #1: Champion legislation in Congress and the states to establish education voucher programs.

³² Bonita Brodt, “Inside Chicago's Schools,” in David Boaz, ed. *Liberating Schools*, (Washington, D.C.: The Cato Institute, 1991), p. 67.

³³ Peter M. Flanigan, “A School System That Works,” *The Wall Street Journal*, February 12, 1991.

³⁴ Bruce S. Cooper and Robert Sarrel, *Managing for School Efficiency and Effectiveness: It Can Even Be Done in New York City*, pp. 4-7. Paper prepared for the University of Chicago Department of Education, August 1990.

³⁵ Herbert J. Walberg, Michael J. Bakalis, Joseph L. Bast, Steven Baer, *We Can Rescue Our Children* (Chicago: Heartland Institute, 1989), p. 11.

Educational vouchers, which allow parents to use their share of a state's per-pupil expenditure in any public or private school of their choice, would create a consumer-driven education system. The principle: Let the funding "follow" the child.

Recognize that choice should not be restricted to public schools alone. The education establishment's rhetorical support for "public school choice," and their opposition to allowing parents to choose private schools, is an attempt to insulate the current bureaucratic monopoly from competition. Such "choice" plans are still an artificial restraint on consumer demand and a restriction on educational supply, so they will do little to improve the quality of American education. According to Brookings Institution Senior Fellow John E. Chubb and Stanford University Professor of Political Science Terry M. Moe, reforms like "public school choice" and school-based management, which gained popularity in the mid- to late 1980s failed because they relied on *status quo* institutions to implement reform when *status quo* institutions are themselves the problem. Critiquing "public school choice," Chubb and Moe point out:

[C]hoice is usually restricted to a fixed set of existing schools, which reformers hope to improve through "competition" that choice will presumably stimulate. All these schools, however, have their existence and financial support guaranteed; actions are inevitably taken to ensure that no schools are "underenrolled" (a bureaucratic euphemism for what happens when schools are so bad no one wants to attend them); schools that do the worst are implicitly rewarded, because they tend to be the first in line for bigger budgets and more staff.... Under these conditions, giving parents and students choice among schools cannot in itself be expected to produce vigorous, healthy competition among schools.³⁶

Chubb's and Moe's exhaustive ten-year study of 500 schools and 20,000 principals, teachers and students concludes that the only way to improve the quality of American education is to dismantle the current bureaucratic organization of schools and replace it with one that is generally responsive to consumer demands and competition. They show that competition will improve the quality of schools only when parents are given the freedom to choose from a wide supply of school options including private schools.

True voucher systems allow the urban poor to opt out of failing public schools and force the government school monopoly to compete for students by improving the quality of education they provide. You have already praised such a voucher program in Milwaukee, Wisconsin, championed by black Democratic legislator Polly Williams, which gave parents the right to use vouchers to send their children to public or private schools. Your Administration should promote the right of parents to choose which schools their children will attend by using the presidential "bully pulpit" to publicize the merits of parental choice in education. You should give strong support to states considering education choice statutes. You should also urge Congress to establish a federal program to provide funds for serious and widespread pilot choice programs in inner-city neighborhoods. Working with a Democratic Congress, you could be more successful in doing this than your predecessor.

If you embark on such a bold path on behalf of inner-city children, both your political courage and your tenacity will be sorely tested. The education establishment vehemently opposes giving parents the right to choose non-government schools. This opposition usually is shrouded in pious rhetoric about the "right of all Americans to a quality education," and the fear that

³⁶ John E. Chubb and Terry M. Moe, *Politics, Markets and America's Schools* (Washington, D.C.: The Brookings Institution, 1990), p. 207-208.

school choice would "leave the poor behind in the worst schools." You should realize that these are thin arguments in defense of self-interest. Such arguments ignore the clear evidence showing that a quality education is virtually non-existent in most inner-city public schools, because the existing public school monopoly has trapped the poor in sub-standard education. The upper and middle classes already enjoy choice in education. It is time for you to give choice to the poor.

Step #2: Empower parents to use vouchers to help poor students attend religious schools.

While government can change incentives, there are limits to the power of government to change behavior. Realize that religion is still the strongest weapon in the war against family disintegration, crime, drugs, and despair in the inner city. Research by Dr. Roger Freeman of Harvard University shows that black inner-city youth who have religious values are 47 percent less likely to drop out of school, 54 percent less likely to use drugs, and 50 percent less likely to engage in criminal activities than those without religious values.³⁷ Religious institutions, including churches, can succeed in improving urban life where government has failed.

Reading and math skills are important in helping young persons in the inner city escape from poverty, crime, and social pathology. But equally important is the development of character, moral values, and self-discipline. While inner-city public schools do a bad job of teaching math and reading skills, they do almost nothing to impart moral values and character. By contrast, religious schools can do an excellent job in fostering the strong character and personal discipline necessary to help inner-city young people in their difficult struggle to transcend poverty and despair.

Moral renewal is the key to grappling with the present social pathologies of the inner city. Your Administration should harness the moral authority of the churches in the inner city, rather than relegating them to the sidelines. Parents who want to send their children to church schools must be empowered to do so, allowing inner-city religious authorities to play a much greater role in educating and molding the character of their children. Your Administration should take a bold step by promoting voucher systems which will empower poor parents with firm religious beliefs, enabling them to send their children to religious schools which reinforce, not undermine, their moral beliefs and values.

Liberals and their allies in the government school bureaucracies will claim that it is unconstitutional to allow parents to use vouchers for religious education. But the Supreme Court has clearly ruled in *Mueller v. Allen* and *Witters v. Washington State Department of Services for the Blind*, that vouchers or tax credits can be spent for religious education without creating constitutional problems. Just as a widow can place her Social Security check in the collection plate of a church or synagogue, or a veteran can use funds from the GI bill even to go to seminary without violating the constitutional provision against state-established religion, a poor parent may use education vouchers to place a child in a religious school. As long as the parent, not the government, decides where the voucher funds will be spent, the government has neither advanced nor hindered a particular religion, and there is no violation of the religious establishment clause of the First Amendment.³⁸

³⁷ Michael Novak, *The New Consensus on Family and Welfare* (Washington, D.C.: American Enterprise Institute, 1987), p. 34.

³⁸ See Clint Bolick, "Choice in Education: Part II - Legal Perils and Legal Opportunities," Heritage Foundation *Background* No. 809, February 18, 1991, p. 8.

Action 3: Create jobs by signing enterprise zone legislation.

You have said repeatedly that you favor enterprise zones. Working with a Democratic Congress here, you can be more successful than your predecessor in achieving federal legislation to complement similar legislation in the majority of states. Enterprise zones have been a centerpiece of a bipartisan urban economic development and anti-poverty strategy for over a decade.³⁹ Enterprise zone legislation enables a government body to designate certain economically depressed geographic areas as eligible for favored tax and regulatory treatment. Over three dozen states, plus Washington, D.C., since 1982 have enacted enterprise zone legislation. According to HUD estimates, this has meant a combined \$28 billion in new business investment, and almost 260,000 new jobs.⁴⁰ State programs differ, but the more successful ones offer substantial tax and regulatory incentives to business.

New Jersey, for example, provides sales tax exemptions for equipment and materials, exemptions on state corporate income taxes, and an unemployment insurance tax rebate for each new employee making a gross salary of less than \$18,000. As a result of these incentives (especially lower sales taxes), firms that received benefits for at least one year invested \$800 million in the state's ten zones, creating over 9,000 jobs, in the program's first four years.⁴¹

A study of job growth in 357 enterprise zones in seventeen states by researchers at Pennsylvania State University shows that one-third of the zones have growth rates higher than the national rate. The average zone created or saved over 450 jobs.⁴²

But federal enterprise zone legislation has been stalled. In 1980, then-Representative Jack Kemp, the New York Republican, along with then-Representative Robert Garcia, the New York Democrat, co-sponsored an enterprise zone bill, the Urban Jobs and Enterprise Zone Act. But Congress would not pass this legislation. Over the next decade,⁴³ Congress considered numerous enterprise zone proposals, but passed no effective legislation.

Finally, in 1992, Congress passed a watered-down version of enterprise zone legislation as part of Title I of a much larger tax and urban aid bill, the Revenue Act of 1992 (H.R. 11). But Congress deliberately coupled enterprise zone tax relief with large general tax increases, forcing President Bush to veto the bill.

Your Administration should give enterprise zone legislation a prominent place in your urban agenda. Your appointees should fight for a program that resembles the original enterprise zone idea in which business can invest in "free-trade" zones with a minimum of bureaucratic interference, not some watered down imitation.⁴⁴

³⁹ Stuart M. Butler, "Enterprise Zones: A Solution to the Urban Crisis," Heritage Foundation *International Briefing* No. 3, February 20, 1979.

⁴⁰ See Dan Cordtz, "Mainstreaming the Ghetto," *Financial World*, September 1, 1992, p. 23; Senators Bob Kasten and Joseph I. Lieberman, "Enterprise Zones: 'Greenlining' for Growth," *The Christian Science Monitor*, May 19, 1992.

⁴¹ Marilyn M. Rubin and Regina B. Armstrong, *The New Jersey Urban Enterprise Zone Program: An Evaluation*, report prepared for New Jersey Department of Commerce, Energy and Economic Development, Wayne, NJ: Urbanomics, July 1989.

⁴² See Rodney A. Erickson, Susan W. Friedman, and Richard E. McCluskey, *Enterprise Zones: An Evaluation of State Government Policies*, Washington, D.C.: U.S. Department of Commerce, Economic Development Administration, January 1989.

⁴³ One provision in Title VII of the 1987 Housing and Community Development Act of 1987 allowed the Secretary of the Department of Housing and Urban Development (HUD) to designate certain areas as zones, and waive certain federal regulations for businesses located in them. But the legislation contained none of the tax incentives essential to creating an effective enterprise zone.

⁴⁴ See Stuart M. Butler, *Enterprise Zones: Greenlining the Inner Cities* (New York: Universe Books, 1981), pp. 75-163. See also, Stuart M. Butler, "The Urban Policy America Needs," Heritage Foundation *Executive Memorandum* No. 330, May 5, 1992, and Stuart M. Butler and Carl F. Horowitz, "How to Create a Successful Enterprise Zone Program," Heritage Foundation *Executive Memorandum* No. 334, June 9, 1992.

Working with Congress, you should follow three basic principles in shaping enterprise zone legislation:

Principle #1: Enterprise zone designation must be for at least a decade. As you know, one of the surest ways to undermine political support for an economic development plan is to exaggerate its potential for achieving goals. For zone designation to work in the most depressed areas, it will require several years at minimum to bear fruit. Supporters of a federal zone program should not be pressured to deliver immediately on promises. They can't. By setting up a program in this fashion, you will only give aid and comfort to the liberals who want to replace it with a grandiose urban "Marshall Plan." The idea of zones begins with the assumption that economic incentives rather than political favoritism is what attracts venture capital to risky areas that banks and other institutional lenders tend to avoid.

Principle #2: Federal zone designation should be supported by crime control. Many urban neighborhoods can be properly called "war zones," rather than enterprise zones. Unless gang members and other criminals are brought under control, tax breaks and other incentives will have only limited effectiveness in enticing businesses to enter an urban area. There were, after all, thousands of thriving businesses in South-Central Los Angeles until the 1992 riot. Luring businesses back will be difficult. A key goal of urban policy must be to convert urban war zones into urban enterprise zones, but to do this, tax breaks and other enterprise zone policies must be coupled with a dramatic increase in the effectiveness of the criminal justice system in crime-ridden urban areas.

Principle #3. Do not let congressional liberals, who have always opposed enterprise zones, play a "bait and switch" game. Congressional liberals will certainly try to turn your enterprise zone legislation into a standard Great Society-style anti-poverty program, in all but name. Liberal versions of enterprise zone legislation replace the original enterprise zone concept with federal micromanagement and spending. Localities applying for zone status must jump through all kinds of bureaucratic hoops, and demonstrate commitments to boost infrastructure, job training, housing, and education spending. Liberals also want to impose unworkable requirements upon jurisdictions with zone status to aid selected zone residents. But layers of red tape quickly erode the effectiveness of enterprise zones, and thereby in the long term only harm the poor.

Remember that the primary purpose of enterprise zones is to reward entrepreneurial risk-taking and create real jobs. It is not to shackle small businesses or taxpayers with the latest liberal interpretation of fairness or scheme for "social investment." The most successful state zone programs, such as those in New Jersey, Connecticut, Indiana, and Kentucky, give generous incentives to businesses, while avoiding massive regulation. You must convince liberals on Capitol Hill to allow enterprise zone programs to stimulate investment, not become platforms for new and costly federal micromanagement. If you don't, the effectiveness of any federal zone program will be seriously compromised.

An ideal enterprise zone bill would:

- ✓ Authorize some \$5 billion over five years in tax reductions for participating zone businesses in 100 urban and rural zones, with at least two-thirds of the zones in urban areas;
- ✓ Fully exempt zone businesses from capital gains taxes, with a minimum holding period of no more than two years, and with no requirement to reinvest proceeds of a sale in a zone;

- ✓ Give individual investors a 50 percent income tax deduction, up to \$50,000 annually and \$250,000 lifetime, for the purchase of qualified enterprise zone stock; and
- ✓ Provide "fast-track" approval for waivers from certain federal regulations, including requirements for compliance with Davis-Bacon prevailing wages, as well as rules that unnecessarily inhibit job creation.

Action 4: Launch a war on crime.

America is in the grip of a violent criminal tidal wave. The number of major felonies per capita today is roughly three times the normal historic rates from before 1960.⁴⁵ Americans suffer one murder every 21 minutes, one rape every 5 minutes, one robbery every 46 seconds, and one motor vehicle theft every 19 seconds.

Although this crime wave threatens all Americans, its most frequent victims are the urban poor and black Americans. That is why you should pay particular attention to steps that would tackle inner-city crime. According to the 1990 National Crime Victims Survey conducted by the U.S. Department of Justice, families with annual incomes below \$7,500 were almost twice as likely to suffer from rape, robbery, and severe assault as were families with incomes above \$50,000. Black families were almost twice as likely to be victims of burglary and motor vehicle theft as were whites. Compared to whites, blacks nearly twice as often suffered rape robbery and severe assault.⁴⁶ When black Americans are asked to identify problems in their neighborhoods, crime is by far the most common problem cited. Not surprisingly, 79 percent of blacks think the courts are too lenient towards criminals, with only 6 percent who think courts are too harsh.⁴⁷

Crime also has a devastating effect on economic opportunities in inner-city areas. Crime is the ultimate tax. It kills jobs and economic opportunity. While inner-city areas offer attractive features for many economic activities, it is unlikely that economic activity will flourish in these areas without a major reduction in crime.

Liberal Analysis of Crime is Wrong. In dealing with crime, you should not be misled by liberal advice, which claims that crime is not a law and order problem, but rather a broad social problem that can only be solved by tackling its alleged root economic causes and by increasing social services. Economic factors have only a small effect on crime rates. For example, cutting the unemployment rate in half would reduce the national crime rate by only an estimated 5 percent.⁴⁸ Significantly, the U.S. crime rate rose most rapidly during the economic boom of the 1960s and early 1970s when unemployment was low and wages were increasing rapidly. By contrast, during the 1980s, when unemployment was higher and wage growth was slow, the crime rate levelled off and by some measures actually declined.⁴⁹

Others claim that increasing welfare spending will reduce crime by tackling its alleged root causes. But as the following chart shows, crime rates grew most rapidly in the 1960s and 1970s while means-tested welfare spending was soaring.⁵⁰ During the 1980s, when the growth of wel-

⁴⁵ Timothy J. Flanagan and Kathleen Maguire, eds., *Sourcebook of Criminal Justice Statistics, 1991*, U.S. Department of Justice, Bureau of Justice Statistics (Washington, D.C.: U.S. Government Printing Office, 1992), p. 372.

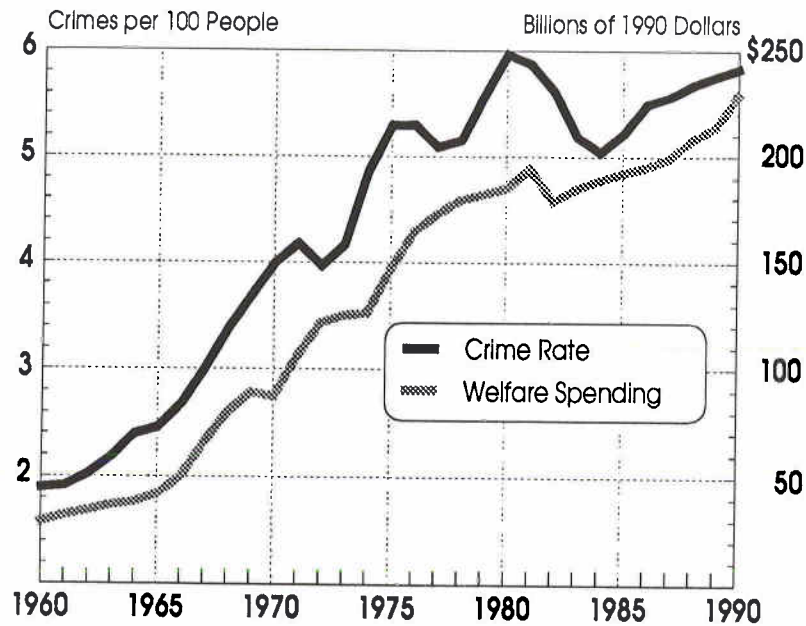
⁴⁶ *Sourcebook of Criminal Justice Statistics, 1991*, p. 296.

⁴⁷ *Sourcebook of Criminal Justice Statistics, 1991*, pp. 197, 203, 211.

⁴⁸ James Q. Wilson and Richard J. Herrnstein, *Crime and Human Nature* (New York: Simon and Schuster, 1985), p. 319.

⁴⁹ The *Uniform Crime Reports* of offenses reported to police show that serious crimes per capita declined by two percent between 1980 and 1990. The more accurate *National Crime Victimization Survey* which counts both reported and non-reported crimes found that the number of persons victimized by violent and property crime fell by 19.7 percent between 1980 and 1990. *Sourcebook 1991, op.cit.*, pp. 372 and 258.

Does Welfare Reduce Crime? 800% Increase in Spending Accompanied by a Tripling of Crime



Note: Figures include Federal, State and Local means-tested welfare spending.

Source: U.S. Department of Justice, *Sourcebook for Criminal Justice Statistics*, 1991; Robert Rector, *The Paradox of Poverty*, 1992.

Heritage DataChart

fare spending slowed, the crime rate levelled off. In fact the evidence strongly indicates that welfare spending, by promoting family breakup, has played a large role in increasing, rather than decreasing, crime.

In any case, the liberal social service model of crime prevention was thoroughly tested in the late 1970s as part of the "National Supported Work Demonstration" program, in which low-income men with prior criminal records were guaranteed a job and offered a wide array of counseling and other social services, costing \$20,500 per recipient per year in 1992 dollars. It offered benefits and services which are almost certainly too expensive to duplicate on a national scale. According to conventional liberal wisdom, it should have been an enormous success. Despite the program's generous aid, however, controlled experimental evaluation showed that the program failed to decrease criminal activity, failed to decrease drug use, and failed to increase long-term employment. The same benefits provided to young high school dropouts produced no impacts on drug use, returning to school, and long-term earnings, and little to no impact on criminal behavior.⁵¹

While crime is rampant in our society, only a small fraction of young men commit the vast majority of serious crimes. The crime rate among these individuals is very high. One survey of prison inmates found that when free on the streets, the inmates committed an average of over

⁵⁰ Crime data on the chart are from the Uniform Crime Reports. See previous note.

⁵¹ The Board of Directors of Manpower Demonstration Research Corporation, *Summary and Findings of the National Supported Work Demonstration* (Cambridge, Mass.: Ballinger Publishing Company, 1980).

180 crimes per year.⁵² The key to public safety thus is to place these habitual criminals behind bars for long periods, where they cannot harm law-abiding members of society.

Your proposal to create a national police corps shows a commitment to fight crime. But the critical problem is not an inability to arrest and convict offenders, but a shortage of prison and jail space to house those awaiting trial and those convicted. The shortage of prison space is an obstacle which prevents removing felons from the community and stopping them from committing more crime. Thus, America suffers from a revolving door system in which violent and repeat felons are quickly returned to the community.

As President you should dedicate your Administration to a new "War on Crime," setting an explicit national goal of reducing the crime rate by 40 percent during your Presidency. You will have three tools to lead a war on crime. First, you can use the vast powers of the presidential bully pulpit to mobilize the public and to urge state governments to adopt the tough policies needed to reduce crime. Second, you can provide badly needed resources to help state and local governments in the war against crime. And third, you can adopt a tough law-and-order policy toward judicial appointments, avoiding nominating individuals to the bench whose personal judicial philosophy would lead to the erection of added legal impediments to the arrest, conviction and incarceration of dangerous felons.

Specific Actions. As President, you should take the following seven specific actions in launching a new "War on Crime." For actions which require new spending, revenues should be obtained by cutting wasteful expenditures in other programs, not through a general increase in federal spending. (The general issue of crime control and each of the specific recommendations are discussed in more detail in a forthcoming Heritage Foundation study: "Launching a New War on Crime.")

- 1) Urge states to eliminate pre-trial release for persons accused of major felonies.
- 2) Urge states to enact truth-in-sentencing laws requiring persons convicted of major felonies to serve at least 85 percent of their full sentence in prison.
- 3) Set a goal to expand federal, state, and local prison capacity by 50 percent; to accomplish this goal establish a federal matching grant program with minimum funding of \$4 billion per year to help finance new prison construction at the state and local level.
- 4) Establish a new federal matching grant program to expand electronic monitoring of probationers and parolees by state and local governments.
- 5) Urge tough but fair "shock" treatment for first time non-violent juvenile offenders.
- 6) Urge states to facilitate the trial of serious juvenile offenders as adults.
- 7) Avoid appointing judges whose legal doctrines would undermine the effectiveness of law enforcement; ensure balance in your judicial appointments by asking the Fraternal Order of Police to review your judicial nominees and by giving their recommendations equal weight to those of the American Bar Association.

Action 5: Lead a campaign to reaffirm community moral values and personal responsibility.

Correcting the failures of government's welfare, criminal justice, and educational systems is necessary to the rebuilding of America's inner-city communities. But the recovery of urban

⁵² Richard B. Abell, "Beyond Willie Horton: The Battle of the Prison Bulge," *Policy Review*, Winter 1989, p. 34.

America ultimately will depend on what can be called moral renewal: the re-establishment of basic ethical standards.

The plight of the inner city is rooted in underclass behaviors. These behaviors in turn are molded by the cultural values and norms of the community. To be sure, many residents of the inner city fight hard to preserve such virtues as hard work and family responsibility, but these virtues have been badly eroded in many inner-city communities. For the problems of the inner city to be solved, there must be a fundamental change in general behavior which, in turn, will require an enormous shift in underlying norms and values.

As part of your overall urban strategy, your Administration must seek to help those within inner-city communities who subscribe to the ethical principles which are basic to a successful society to make these the values of the entire community. You must give national prominence to cultural and political leaders who proclaim the vital importance of moral renewal, and who will be heard and respected within low-income and minority communities. The younger generation must once again be taught a love of learning, the dignity of all labor, and the sanctity of marriage. The young must learn that out-of-wedlock childbearing is not an acceptable "alternative life style." Young men must learn that indiscriminately fathering children whom they have no intention of supporting is morally wrong. Young men and women must both recognize that having children when one is too young to have any real prospects of supporting a family harms the parent, the child, and the community. You must give prominence to community leaders who will continually teach the young that there are three simple rules for escaping from poverty in America: 1) finish high school; 2) get a job—any job—and stick with it; and 3) do not have children outside of marriage.⁵³ Those who abide by these rules of middle-class existence rarely will be chronically poor. Those who violate these rules are very likely to be trapped at the margins of our society.

Young people growing up in urban areas also need to be told the truth about opportunity in America. Severe as the problems of inner-city schools are, equally destructive is the indifference and even hostility which too many young people exhibit toward learning. This indifference should not be bolstered by a prevailing political culture that daily teaches them that society will always treat them unfairly or that "racism" will block their success, no matter how hard they try. This would be a dispiriting and harmful message to drone into young people even if partially true. But the message is false. Once differences in years of school completed, academic skills attained, and years in the labor force are weighed, there is virtually no difference in the wage levels of black and white men under the age of thirty. To the contrary, there is some evidence suggesting that blacks with a college education may be paid more than comparable whites.⁵⁴

Thus it is not racism, but differences in educational achievement and labor force attachment which account for the modest differences in black and white wages.

Your Administration should stress the importance of young people seizing the opportunities available to them. For example, inner-city youths themselves state that jobs are available. The

⁵³ Novak, *op. cit.*, p. 5.

⁵⁴ The hourly earnings of black men aged 22 to 29 equals 83 percent of the young white men's earnings in the same age group. However, this wage difference is not caused by discrimination against black men in the labor market. Differences in years of school completed and actual math and verbal skills explained three quarters of the wage gap between blacks and whites. Differences in years of work experience accounted for virtually all of the remaining gap. Thus black men did not earn less than whites with comparable education, math and language skills and years of work experience. See June O'Neill, "The Role of Human Capital in Earnings Differences Between Black and White Men," *Journal of Economic Perspectives*, Fall 1990. This study also found that normal indicators of public school spending such as pupil/teacher ratios or percentage of teachers with advanced degrees did not have a positive effect in raising the earnings of blacks or whites.

best information on this topic was gathered by a National Bureau of Economic Research (NBER) survey of disadvantaged young black men in ghetto communities in the late 1970s. Ninety-three percent of those surveyed said that they could obtain jobs if they wanted them. Seventy percent said getting a job would be easy; another 23 percent said finding a job was difficult but that work was obtainable if they wanted it. Only seven percent said it was impossible for them to obtain work. There is no evidence that the situation has changed since the NBER survey.⁵⁵ The problem is not that inner-city youth cannot find employment, but that they refuse the jobs available.⁵⁶

As President, the message you must communicate to youth is that their fate is very much in their own hands. Thousands of hours spent mastering the monotonous, but essential skills of math, spelling, and grammar will pay off for blacks as much as for whites. And those who master real educational skills, and take a "dead end" entry job, and continue striving, will over time move on to better opportunities.

Although some will denounce these themes as "blaming the victim," children raised in poverty need truthful, practical lessons, not fashionable "political correctness." Community leaders who ignore personal responsibility and moral principles, and who falsely belittle the opportunities available, do great harm to low-income Americans. By falsely narrowing hopes, they create a climate of indifference or even hostility to learning, work, and marriage among the young. In so doing, they turn youth away from opportunity and into the arms of anger and despair. You, as President, and the members of your Administration, must provide better leadership.

Finally, as President, you must appreciate and explain that much of the work of saving the inner city lies beyond the scope of government. The Great Society has failed. During the last half century, government has effectively preempted non-government institutions, particularly churches, pushing them out of a wide range of social functions, such as charity, education, and child-rearing. But efforts to fight urban poverty in the 20th century have failed in part because they relied on "value-free" government programs. By contrast, 19th century efforts to tackle urban problems succeeded, in part, because they were "value-laden," spearheaded by Protestant, Catholic, and Jewish religious institutions.⁵⁷

Your Administration must give top priority to elevating the role of "non-governmental mediating institutions," such as neighborhood groups, charities, and churches within the inner city. This does not mean adopting the current liberal practice of using religious institutions as platforms for running secular government programs, such as running Head Start in church basements. Instead you should draw upon the unique and inexhaustible strength of inner-city churches, *operating as religious institutions*, to shape the values and norms of the communities around them. By doing such things as permitting parochial and other schools formed by inner-city churches to receive education vouchers, you can help them accomplish this task.⁵⁸

Robert Rector
Senior Policy Analyst

⁵⁵ Lawrence M. Mead, *The Politics of Poverty: The Non-Working Poor in America* (New York: Basic Books, 1992), p. 107.

⁵⁶ Inner-city youth apparently feel that many of the jobs available to them lack dignity. But the answer is clearly for the young people to qualify themselves for better jobs by improving their academic skills or by building up work experience in low skill jobs which will pave the way for better employment in the future.

⁵⁷ Marvin Olasky, *The Tragedy of American Compassion* (Washington, D.C.: Regnery Gateway, 1992).

⁵⁸ Allowing non-governmental mediating institutions to reclaim social functions lost to government institutions is vital to a free and pluralistic society. Expanding government tax funded monopoly at the expense of non-governmental institutions is a threat to the basic health of our society.