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Urban Public Services:

What the Future Holds

Robert Morris

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Health and welfare are usually considered secondary or peripheral concerns of modern society. The article considers how questions about the provision of social welfare are imbedded in the economic, social, moral, and political fabric of contemporary America and New England. Underlying trends of economic, social, and attitudinal change are outlined, and implications for the future are considered. The article also considers the role of universities in equipping the next generation of citizens to cope more effectively with the complex issues that are forcing a restructuring of urban services.

BEGINNING IN 1975, a fifty-year trend in American public policy began to shift. Political and public confidence in the ability of national government to remedy innumerable social and economic ills began to weaken. A combination of economic difficulties, budget deficits, and changed attitudes has produced not only a resistance to increasing personal taxation but a more deep-seated questioning of the pattern of public services, particularly the publicly funded social, health, and educational services, which account for about half of the federal budget and between 12 to 18 percent of the GNP. Although such expenditures provide basic protection against many of life's hazards—for example, illness, unemployment, injury, and retirement—and significantly reduce the proportion of the population living in poverty, many people now view the price tag as too high, with cost outweighing perceived benefits.

New England, like other regions in the country, has not been immune to this trend. The effect at both regional and national levels has been to restrict taxation and to explore alternative strategies for resolving the insecurities of an industrial economy. Private-sector arrangements are being examined as alternatives to public programs; proprietary efforts to deliver medical, health, and social and educational services are becoming popular.

These changes are not at the periphery of public life but at its center, for they pertain to the most crucial insecurities of modern urban existence and to past decisions involving about half of all governmental activity and a significant percentage of business effort. More important, over half the services—and expen-

ditures—are provided for citizens with middle-range incomes, and 80 percent of the population is directly affected by them. Publicly funded programs are no longer limited to the very poor, although the programs do raise 10 million people to the level of the poverty line and help another 15 million to survive, albeit below the poverty level. The standard of living of millions of middle-income families is improved by tax deductions for mortgage and other consumption payments; these families are relieved of the necessity of providing for the financial and health-care needs of aged parents; the health and the educational competence of future generations, on whom the economy depends, is safeguarded. In sum, it has been argued that the quality of life for all citizens depends on the continuation of the aforementioned services.

Despite the benefits to our nation, efforts persist, since 1975, to effect reductions in all these programs and even to abolish some of them.¹ Other attempts are being made to shift the cost of maintaining the programs back to individuals, families, or local governments. Whatever the motivation for the change may be, the structure of health-care and welfare services that was built up over the past fifty years is in for a major overhaul. That overhaul will force a reevaluation of the living conditions facing most citizens—not only the poor and “truly needy”—in the immediate future, as well as an examination of how these conditions can be dealt with in ways that are consistent with our democratic ideals.

Basic Trends Affecting Future Development

There is widespread *dissatisfaction with the results of programs* that were evolved over the past half-century, wholly apart from questions of cost or ideology. This dissatisfaction is expressed across the entire spectrum of political opinion, from right to left. In some measure, it is due to our twentieth-century belief that *all* problems must have solutions, and short-term solutions at that. There is impatience with the view that some events, like death, disablement, mental illness, or economic dependency in cycles of boom and bust, still lie beyond our human ability to control them. In part, the impatience stems from the size and complexity of organizations that we have built on top of ad hoc and jerrybuilt policies, organizations that are not responsive to human variety and that have become nearly impossible to manage in a volatile political era. Whatever the cause, the dissatisfaction joins together opponents and proponents of such programs in a demand for change, but in divisive, opposing directions.

Our society has become increasingly self-regarding, with the highest value placed on each individual's being free to realize his or her greatest potential through individual effort, and, even more important, to make individual choices about lifestyle. These trends reinforce our basically individualistic culture. What is new is that today, confidence has been eroded in the ability of any structure or framework for collective effort through public means to provide the underpinning for such individualism in an equitable fashion. We are taught to make our lives by our own personal efforts, but there is little accompanying education about our unavoidable interdependence or about obligations that we must fulfill toward one another if society is not to splinter into a chaos of fragments. It is hard to see

that our personal job success and our choices of life-style and our open, mobile society have been made possible only by the collective efforts made through government, examples of which are tax subsidies enabling many businesses to stimulate production and the creation of jobs; public education, including technical and professional training via universities; veterans' education benefits; special education for the handicapped; diminution of discrimination on all grounds; and minimum protection against the hazards of temporary unemployment or industrial injury.

The question of why we have become more self-regarding is not easily answered. Is it because of the historically individualist culture of the frontier? Or is it the result of an educational and public media system that emphasizes this approach to modern society? Is it an essential ingredient in our definition of freedom? Or is it a human reaction to a period of uncertainty in the world, when all of us prefer to protect ourselves and when our confidence in government has been weakened by the imperfections of its arrangements? Has our confidence in mutual aid been weakened by a long period of reliance on government that is now viewed as unsatisfactory? We still talk about community, but the sinews and muscle of community consist of interdependence to which we only pay lip service; in reality we limit this interdependence to our families, our immediate circle of friends and colleagues, and those individuals who are culturally and ethnically like ourselves. "Community" seldom extends in our thinking beyond the people we know and are familiar with. All others are strangers who lie outside our major concerns.

Our ideas about dependency have changed. A considerable portion of our health and social expenditures goes to make survival possible for that 15 and sometimes 20 percent of our population that lacks independent means of support, those "others" who are dependent on the rest of us for at least some of the time. One of the inescapable facts of modern society is that some percentage of the population will be unable to pay its own way through working simply because work is not accessible at the time, place, and skill level appropriate to the dependent able-bodied. Family care for the handicapped or for minors is further limited by our economy's need for the mobile labor of mothers as well as of husbands.

We face a major change in the nature and conception of dependency, a change for which a long past of a different orientation has not equipped us. Historically, western culture has a deep and charitable tradition of caring for its dependent individuals. This tradition was honored in ancient Israel, in classical Greece and Rome, in early Catholic Church doctrine, in feudal societies, during the Renaissance, and in the nineteenth century of industrial capitalism. But in those times the benefits of the tradition were concentrated on a few categories of clearly helpless people: the aged, widows and orphans, sometimes the sick, and victims of natural disasters visible to all. The dependent of today's society are different. The widow is more likely to be a young unmarried mother with small children. Minority youth are unable to attain work quickly enough, given the obstacles of often inadequate education, race prejudices, and the inheritance of cultural discrimination from the past. To these dependents have been added the able-bodied victims of rapid technological change—youth and middle-aged workers whose skills are rendered obsolete by new technology.

To make the picture more complex, we have a new type of aged individuals who live longer than ever before and who are on average able-bodied, vigorous, and better educated than their predecessors. These are not the decrepit or helpless aged of the past, yet we have excluded them through forced retirement from meaningful roles in society, while at the same time objecting to the social insurance tax burden imposed by their retirement. These elderly are unlikely, in the aggregate, to remain long content with retirement and no clear role. Universities have begun to offer some minor educational opportunities to this growing population to add to its sense of self-satisfaction, but they have not yet considered how to equip the elderly for their potential new roles.

Historically, the able-bodied never received much attention, for there was always *some* work available to them. Today, our society creates conditions in which work is either unavailable at the skill levels of the unemployed or, if it is available, it is at a pay level that maintains poverty for some groups indefinitely, without hope of escape. Jobs that offer the minimum wage with accompanying deductions for insurance and for the cost of transportation to the workplace guarantee continued poverty, especially for young female-headed families or low-skill workers with large families.

Nationally, 7 to 8 percent of persons who seek work are without work. We have come to accept this figure as "normal unemployment," whereas only a dozen years ago the acceptable figure for this phenomenon was 3 to 4 percent.² Economists argue that economic growth plus technological and economic change will in time produce enough jobs, or at least more of them. What this promise ignores is that the creation of new jobs takes place over many years, during which time human lives are wasted because there is no opportunity for productive participation in society, as the popular attitude defines it.³

To this 7 to 8 percent unemployed, we need to add those elderly who have vigor and who wish to be active but whom we keep out of the action, and those who have become discouraged and who have dropped out of the known labor force. The sum total of unemployed is many millions of people, otherwise able-bodied, who might be called the surplus people of the twentieth century.

The traditionally accepted dependencies of disability are increasing, not decreasing, in number, despite the gains in medical science. We are encountering a kind of failure of success. Our technology has reduced many hazards of disease, but it has also created new life-extending technologies that are highly problematic ethically and financially. For example, we have increased life expectancy and can keep some catastrophically ill people alive: spinal cord injury cases, stroke and some heart patients, end-state renal disease patients, and so forth. But for some of these survivors the added span of life is only a year or two, with perpetual medically invasive intervention at a cost of hundreds of thousands of dollars per case. Some are rescued from an early death but require a lifetime of care by others. We can save infants born with very low birth weights, a condition often due to substance abuse or simple malnutrition of the mother, but between 6 and 19 percent of this group of infants who survive will face a lifetime of severe disability, often neurological—the proportion of severely neurologically limited children has doubled in the past twenty years.⁴ At the other end of the life cycle, the proportion of the population over seventy-five years of age is increasing rapidly.

However, one out of every five people in this age group will succumb to a long-extended disability. These individuals represent the classical cases of dependence that we have been taught to provide for. Today, their numbers are increasing, although we expected them to decline.

The costs of medical technology are increasing much more rapidly than the GNP. Our commitment to such technology is stronger than ever, but access to it is becoming more difficult except for either the quite well-to-do or through large government subsidies, the use of which much current thinking resists.

Underpinning these trends is a continuing reluctance to increase our personal expenditure for collective or cooperative efforts via taxation and government action. The proportion of either American personal income or total GNP that is siphoned away from personal use through taxation into collective use is low by international comparisons; ours is about 20 to 30 percent, in contrast to 50 percent in other countries with economies as healthy as our own. A recent survey of philanthropic giving found that, in a seven-state region, a combination of charitable giving via income-tax-claimed deductions, contributions to the United Way, and corporation grants, when added together, still totaled less on a per-capita basis than the historic tithing that religious practice has elicited for centuries.⁵

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While such conflicting influences are at work, *we have also undertaken to replace, since 1935, concepts of charity for the underprivileged with concepts of right and justice*, including ideas of legal resource to secure remedy for ills in place of the charitable impulses of philanthropists. Until the twentieth century, most welfare activities were based on a long tradition of personal or charitable giving to help the helpless. In the past one hundred years, an alternative concept—that all citizens have certain enforceable claims they can make upon their society—has slowly evolved. Initially the claims pertained only to protection of one's person. But to these have been added enforceable claims that certain helpless classes—the unemployed, the mentally ill, and so forth—can make based on their special conditions of need. This recent transformation of a three-thousand-year-old western tradition of personal and voluntary charity into a civic and enforceable right has not yet penetrated deeply into the civic or public consciousness. Old ideas of charity are still informing decisions made by voters even though political choices have been presented in a new framework, and the resulting confusion is substantial.

The facts of demography exert a powerful influence as our nation becomes more mature and its population grows older. But the simple increase in numbers of the aged, along with a decline in the birthrate, means not only that our population will be increasingly older, posing a challenge for our youth and energy-oriented culture; the numbers (if not the proportions) in need of either medical care or social supports because of enfeeblement will also increase. But the percentage of workers whose employment can assure care will decrease. The so-called dependency ratio—the number of persons needing support from those in the work force vis-à-vis the total number in the work force—is expected to rise from one in five to one in three.⁶ Our economy may be able to produce enough goods with less manpower, owing to automation, but the allocation of resources toward the elderly—an intergenerational transfer of resources—will rise and may encounter the tax resistance, already alluded to, of younger workers.

Moreover, the immigration of Hispanic and Asian populations has already altered the social makeup of most cities, so that they are less homogeneous than ever and are more like the eastern cities of the pre-World War I era, when a massive immigration from southern and eastern Europe transformed urban life. This new citizenry brings vitality and energy to the performance of many of the tasks that native Americans reject, but it requires a greater investment for education, acculturation, and training as it works its way into our culture.

Along with these varied trends, we can barely discern another, less easily articulated development. It can be variously identified as *a loss of civil self-confidence*, as an anxiety about a world changing too rapidly for our comprehension, or as an uncertainty about where we are heading. President Carter called it a national malaise, while President Reagan has tried to counter it by proclaiming that all is well and that we are “on a roll.” But deep doubts persist. Although we lack conclusive evidence about the permanence, depth, or extent of the so-called malaise, some of its contributory elements can be described as follows:

There is a notable lack of confidence about our economic future. Although we are proud of our past record, we see other nations producing the goods we use better and more cheaply than we can, while our own goods, although much in demand, no longer are able to command world markets.

There is a fear that our children will have fewer economic opportunities than we had. We dream of conquering space, but we may be witnessing a diminution of more earthly dreams. Already, by one estimate,⁷ the new economy has resulted in about 40 percent of the middle-income class lowering their standard of living throughout their working careers, although 60 percent have improved their position.

The prejudices of race still plague many people, and the demands of minorities for a greater share in the available well-being or wealth are viewed as a threat rather than as a realization of the democratic idea.

The overhanging concern about a nuclear holocaust, which has penetrated our subconscious if not our daily thinking, goes hand in hand with our fears that a competing economic order—that of socialism or communism—will threaten our standards and our supremacy in the world.

Periodic recession and economic decline throw people out of work and into fundamental insecurity with increasing regularity.

The picture, however, is not all one-sided. There have been many positive achievements in science, the arts, and the economy. Moreover, we now have a very large and dominant middle class or middle-income population, with only perhaps 15 percent of the population very poor and a small percentage extremely wealthy. This represents a historic achievement. In the 1930s, 30 percent of the population was very poor. In colonial America almost everyone was poor, although not dependent. In early nineteenth-century England, 50 percent of the population was poor. In classical Rome and Greece, 90 percent were poor.⁸ The negative side of this accomplishment is the existence of doubt among this large middle group as to whether their gains are secure.

The complexities of modern society require public or collective action to deal with the problems that change throws up. The measures we undertake to resolve

these problems may not be the best or the most efficient, but provisions of some kind against the insecurities and hazards of modern life are both required and expected by almost all citizens. This expectation has led us to invest much of our GNP (about 18 percent) and much of our national and local governmental budgets (about 40 to 50 percent) for these purposes, so that health and welfare and other social-protection measures are an integral part of our lives, not peripheral distractions.

Ultimately, the trends we have discussed will force our cities, our regions, and the nation to confront numerous unpalatable choices amid contradictory wishes. The public debate about such choices is muddled by multiform prejudices, misconceptions, and misperceptions. The most serious of these is a conviction, now held by many conservative thinkers, that the slowdown of the economy in the past has been due to the generosity of our welfare programs, even though more generous and less wealthy nations have not all experienced these same economic problems. A recent analysis, however, finds that, at most, one percent of possible GNP growth has been lost on account of social programs.⁹

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Another misconception is that the beneficiaries of welfare are living in unearned luxury. Unearned, perhaps, but hardly luxury. Those who are receiving Aid to Families with Dependent Children (AFDC) subsist on monthly incomes that place them, at best, at 80 percent of the poverty level (when food stamps are included) in only three of the richest states. For the other recipients of AFDC, the level of real income ranges between 47 and 79 percent of the poverty level.¹⁰ The result is that several million children—our next generation—not only live in poverty but are at high risk of being malnourished and at risk of growing up permanently handicapped as well.

Finally, there is the misconception, already alluded to, that the costs of social programs can be blamed on the lazy, able-bodied poor. In fact, 80 percent of our social programs are provided to people without regard to their income,¹¹ which means that we have evolved an unbalanced welfare system. We did this in the belief that by making social benefits universal, the interests of all would safeguard the programs from political attack. This hope, of course, did not contemplate the relative costs of a broad universal program attended by constant efforts to improve benefits. Those costs have become too high for American voters or their politicians to accept, especially since the trends noted earlier are reinforced by a fear of national military insecurity, resulting in vastly increased investment in military programs.

The attempt at an imperfect and ill-conceived universalism has led to at least 45 percent of all social benefits going to citizens who live well above the poverty line.¹² The provisions of our welfare structure, which is built upon retirement, health benefits, and education, flow disproportionately to either the elderly or the economically better-off. In the health field, our limited insurance provision on a fee-for-service basis has meant that we spend twice as much money as a percentage of GNP to reach only half the proportion of the population that is serviced by the British system at half the cost. (Canada also has a more universal health system at a fraction of our cost.) Health protection is lacking for workers who lose their jobs; in order to save money, the working poor are made ineligible for Medicaid; and the protected aged, including the very poor aged, now pay half the costs of their medical care.

The combination of such trends and public misperceptions has brought our social programs to a crisis that will probably require some decades to overcome.

It is not possible to alter a system, no matter how badly conceived, in a few months. Our country is too vast, our population too large and diverse, our programs too complex and unwieldy, and the multiplicity of special-group interests that our individualistic society cherishes too extensive, for any change to be brought about quickly. What lies ahead is an extended period of debate, confusion, and frustration as quick solutions to massive and sometimes apparently insoluble problems are sought.

Is New England Different?

Current trends in welfare and social service programs exert as much influence in contemporary New England as they do in the nation as a whole, but in a few respects, New England differs from the national scene. Indeed, Massachusetts illustrates that the economic conditions of a region influence, but do not wholly govern, the evolution of social programs. Prior to the 1970s, New England as a whole suffered from a contracting economy, but Massachusetts maintained a leadership position with regard to social and health-care programs. Much of the state's legislation was liberal and pace-setting; its level of generosity with public assistance equaled that of more affluent areas, like New York and California. But with the sharp economic changes of the seventies and early eighties, social programs were cut back as tax constraint came to dominate political and public thinking.

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Cuts in federal aid, which were reflected in state programs, resulted in a 10 percent reduction in maternal and children's health-care services, a 25 percent reduction in mental health services, and a greater than 10 percent reduction in other services. Medicaid, AFDC, and food stamps were cut between 10 and 24 percent, reducing the living standard for single-parent families and for low-income workers and those left unemployed by economic change.¹³

However, as soon as the Massachusetts economy began to recover through the resurgence of its high-technology industries, and as its unemployment level dropped to the lowest in the nation in 1984, the earlier trend toward the assumption of public social responsibility resumed. The reemergence of state leadership in this direction was visible in a new plan to contain escalating medical costs through the control of hospital revenues from all sources, not just from Medicare and Medicaid (the federally authorized and financed health programs for the retired and the poor only); additional appropriations to help hospitals offset the reductions in federal aid; an increase in home-care services for the elderly to reduce admissions to nursing homes; the introduction of new programs for the care of persons suffering from Alzheimer's disease; the use of the state public welfare authority to restore pre- and postnatal medical care for poor, pregnant mothers; and, in 1985, authorized increases in public assistance benefits to raise the income of all recipients of aid to the state poverty level.

New England differs from the national scene in other respects as well: First, it was settled earliest and has an older physical infrastructure. It also has an older population, as measured by the proportion of elders. Perhaps it differs most—at least in Boston and Massachusetts as a whole—through the presence of two major "industries": higher education and acute medical care. The medical system is heavily endowed with teaching medical centers whose reputation is worldwide; thus, a considerable proportion of state resources are funneled into acute, high-

technology, high-cost medical care, which also affects decisions that have to be made about other aspects of the economy. The current trends in the national economy and the welfare structure will, accordingly, be especially difficult for Massachusetts to adjust to.

The Potential Role of Universities

30 During the next twenty years, the character and adequacy of our local communities as well as of our national society will be shaped in a significant degree by how we handle the social welfare needs of our complex population as it faces these even more complex times. What citizens and leaders are all confronting is a redefinition or reaffirmation of the kind of society we want to have. Will it be a society of community sharing and cooperation, or one of sharply antagonistic classes? Will it be a community riven by insecurity or one that is able to go about the necessary tasks of the day with a reasonable sense of security concerning the unpredictable hazards of change and of life? Will our insecurities be borne by each of us singly, or can we cooperate to achieve an adequate degree of security both singly and collectively? If we go at it individually, then class divisions and inequities are bound to increase. If we approach our problems collectively, we will have some choices about how best to proceed. There is the risk that collective effort may produce authoritarian government. But equally, such effort can produce more equity and stability. It is possible to make choices that will bring about the latter outcome. The financial costs of various alternatives and their differing benefits have not yet been accounted for.

Many institutions will be engaged in this struggle to confront the future: business and industrial groups; civic groups like the League of Women Voters; churches; political parties; the bureaucracies of government and nongovernmental organizations alike; and unions. Universities can play a leading role in the resolution of problems in the welfare and social services systems if they so choose; what is required as a prerequisite to their involvement is a redefinition of the traditional functions of the university. The scope of these functions needs to be expanded to permit universities to inform upcoming generations about the realities of the world we are living in and the world we are moving toward. We may not know what the outcome will be, but we can learn more and teach more about how the tides of change are affecting us, even if we are unsure where they are leading us. Some universities have made a start in this direction, mainly by adding professional schools of many kinds: medicine, law, nursing, social work. But these schools are, today, mainly centers for teaching techniques that will enable students to make a private career for themselves. The rest of the university, with its arts and sciences and humanities, has barely been aware of the challenge and of how the humanities and social sciences, through education, can contribute constructively not only to understanding the problems but also to social, organizational, or social policy construction.

The Social Contract Revised

Since 1935, the United States has operated under an implicit, and sometimes explicit, contract about the sharing of responsibilities between national government,

local governments, families, and philanthropy.¹⁴ In a process that was quite unintended, this contract evolved over the past fifty years in such a way that most effort to deal with human needs was directed toward the national government in the form of requests for financial help and sometimes for leadership. Beginning with a basic national commitment to protect the unemployed and the aged through Social Security, unemployment insurance, AFDC, and general relief (later augmented by Supplementary Security Income as a catch-all safety net for those outside the labor force), the tendency has been to seek federal intervention to deal with the educational problems of all children and the developmentally disabled, to treat or care for the mentally ill and the retarded, to underwrite the rehabilitation of the seriously disabled, to overcome racial discrimination, to assure medical care for the poor, and to serve numerous people experiencing a variety of human difficulties, including drug and alcohol abuse.

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At the same time, there grew up a previously unrecognized, second component of welfare, which is provided through the employment benefit programs of industry and which now reaches about half of all employed persons, mainly those in large corporations:

Nonprofit philanthropic agencies have barely kept up their share of the contract through voluntary contributions, but they do much of the necessary work through the use of tax dollars.

We have also come to understand that a third major part of the contract is carried out through what are called tax expenditures—that is, benefits provided to individuals through the income tax system which are as good as direct public payments but are made up of *taxes not paid* on account of interest deductions for buying goods, home purchase, and exemptions for capital savings.

Well over half the total cost of government social and welfare programs, employee benefits, and the work of philanthropic institutions goes to benefit citizens who are not needy, but the blame for the cost is placed, in ignorance, on those who are poor. The system is extremely distorted, unfair, and unbalanced. By far the greatest share of benefits goes either for retirement or medical care for those over sixty years of age, to employees of large, unionized corporations mainly for acute medical and hospital benefits and retirement, or to the financing of middle-class purchases. A little known aspect of the distortion is that military, congressional, presidential, and other civil service employees have medical and retirement benefit programs that are much more generous than those that are provided for anyone else.

As a result of its imbalance, this security system has very large holes in it. Able-bodied adults, especially those in female-headed families where there are small children, are protected at levels far below the poverty line established as a national guide, which means that millions of children live in hunger and risk malnutrition. Workers in small businesses lack corporate benefit schemes. Other workers *with* benefits, if they become unemployed, are likely to lose medical benefits altogether, may lose retirement benefits already earned, and lose unemployment protection if out of work for a year. The Reagan Administration has enlarged the holes in the system regarding the able-bodied adult.

The social welfare system is entering another period of transition, or revision, because of attempts to reconcile these present distortions with the trends already discussed. Following are some questions to be answered by all citizens.

Can we produce an effective social protection system if we reduce government commitment in absolute and percentage terms? In the face of such a reduction, could we have an equitable social system consistent with our moral and democratic aspirations?

If we cannot reduce the fiscal obligation of government, would we be better off spending the money through proprietary or through philanthropic agencies? The current trendy phrase to describe the first alternative is "privatization" of public expenditure. It is widely asserted that private business can run hospitals, prisons, and welfare agencies better than anyone else, and more cheaply as well. Some responses to this claim are still debatable, but a few of them recur consistently. Proprietary social or health services achieve an outward appearance of efficiency by avoiding high-cost patients or clients, by limiting those they will serve, by dropping services that are not profitable even if those services are needed, and generally by not taking on the most costly and difficult problems. The one exception to this pattern may be with certain high-technology services like organ transplants, which will be paid for by enough wealthy patients, if not by government.¹⁵ Privately run services are effective in introducing more businesslike procedures and are especially skilled at operating in the black within a limited income. Their accounting expertise enables them to increase income through timely billing to government or to insurance companies and through follow-up of bad debts. On a fully controlled unit cost basis, plus a cost benefits comparison, however, the outlook for privatization is at best dubious. It will work under some conditions and for some classes, but not for all. It will not work if equity and adequate access for all are valued criteria. It is necessary to recall only that in the nineteenth century, when a large portion of the welfare system in the United States was carried by proprietary agencies, such extensive abuses resulted that public action became essential to redress them.

A related form of privatization is reliance upon individual insurance through employee benefits as a means of insuring against risk. This procedure warrants substantial attention, as long as its limitations are recognized. We do not know whether the mandate that *all* employers, even those with as few as three employees, must set up benefit systems would prove economical, or whether such a requirement would burden already overburdened small businesses with paperwork. We do not know what the costs of such a system through private employers would be, although Germany has such a model. Neither do we yet know whether such a scheme would prove equitable, given that benefits supplied by a highly profitable defense industry fueled by government contracts would be pitted against those provided by a small dry cleaning or grocery chain. Despite the questions that have been raised, there is room to consider a different role for the proprietary sector.

How will private philanthropy fit into the new social contract? There are no signs that the rate of philanthropic giving has risen or will rise dramatically, and it has represented less than 4 percent of all social expenditures since 1935. But such agencies could compete better with proprietary agencies in their business procedures than they do now, even though, like private business, they cannot underwrite high-cost services for a poor population. Philanthropic agencies have handicaps that must be overcome if they are to rival the capacities of private business. They lack capital reserves, which proprietary firms can obtain through

selling stocks; third-party payments to such agencies do not permit them to include capital start-up costs in their reimbursement plans the way profit-making firms can; and generally, the salary levels in philanthropic organizations are also lower than in profit-making concerns, so that their capacity to attract staff is more limited.

What are the moral and economic aspects of providing for the able-bodied adult in this new world? Murray¹⁶ and some others argue that all financial security should be abolished by government, that such help positively injures its recipients. Most analysts point out that there is no evidence to justify either the action or the conclusion.¹⁷ This is more a matter of *how* social programs are designed to do the least harm, but some argue that there is no cooperative responsibility for the needy except in the family. So moral choices are posed about citizens' obligation to strangers and the claims the deprived are entitled to make on society.

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There are also specifically economic issues to confront. We need to decide whether a high level of financial security for the able-bodied is a disincentive to work, and whether it undermines our economy in competition abroad and at home. The evidence for such beliefs is very sparse, even though it is daily asserted that we are weakened by our welfare programs. International comparisons contradict the media explanation and recent economic analyses indicate that there is little merit to these claims. Both Lampman and Bawden conclude that at most we may lose one percent in GNP growth because of welfare programs of all kinds, including those for the helpless and disabled.¹⁸ Some marginal evidence indicates that there is a slight disincentive to work more as income improves. This is a human reaction for all classes, not just the poor. On the other hand, a great deal of evidence indicates that for those with no income whatsoever, social programs do not at all serve as a deterrent to seeking work. In fact, beneficiaries of such programs flood in to work when it is available, and even the least employable—mothers of small children—prefer work to relief *if* there is work at all, *if* they have skills, *and if* their minor children can be well looked after.¹⁹

The question of whether to provide security for the able-bodied more than touches on morality; it poses vital moral questions: What kind of society do we envision for ourselves? Are the able-bodied to be treated as the beggars of pre-poor law England of 1601? Or do we believe that all human beings are entitled to some basic security, as long as they function as members of a community—that is, as long as they look for and take work when it is available? Given the past fifty years of experience, during which the absence of work opportunity has affected anywhere from 3 to 30 percent of the population in a roller coaster of economic ups and downs, can we believe that even a relatively stable community assures all its members of the minimum requirements for existence? The belief is now held by some that each person should secure protection for him/herself, rather than seek it jointly with others through government. Will actions based on this belief lead to the kind of society we want or not? Part of the answer depends on whether we believe that there are jobs for all if they would but look, or that there are not enough jobs for all able-bodied at all times or at any one time.

How shall we shape the federal role for welfare? The path of the new federalism scales down the national government's financial, administrative, and regulatory responsibilities in all areas except defense and the military, and turns the burden of most welfare back onto the states or onto private business. The question, in the

end, may be answered by how much federal revenue should be appropriated, even if the revenues are administered by the states with no federal control. There is much worth in the thesis that a nation as varied as ours would be served better through greater decentralization of the federal government and through other kinds of organized effort to reduce the costs and complexities involved in trying to run the preponderance of the welfare program by means of the vast bureaucracy in Washington. There is also much worth in exploring the notion that states can compete with each other as laboratories for innovation and invention in the social arena. The price for such diversity, however, may be a return to great inequities among the states, with poor people in poor states suffering at a level not morally justifiable while wealthy states have little poverty and ample resources. The underlying question is whether we see ourselves as one nation, in the same way as we hope to experience ourselves in a local community, or whether we choose to be a federation of independent localities fighting each other.

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A basic constitutional question is embedded in this welfare issue: Should a one-hundred-and-fifty-year trend toward a strong central government be reversed, leading to a federation of powerful states? The last time this question was faced, we suffered a catastrophic civil war.

Another aspect of the social contract has to do with the family. During the past fifty years, families have slowly been relieved of some of their burdens and provided with certain benefits: help with medical costs, provision of basic income, and housing for aged parents; the cost of primary education for children and part of the cost of higher education for young adults; and care of some severely disabled, especially the elderly or the mentally retarded. Until 1980 we raised half the poor families, and most of the aged poor, above the poverty level. We have improved nutrition for poor children, enabling them to become healthier adults. For families with some means, this has meant that more of their income was released to improve the education of their older children and to raise the standard of living for the entire family. In the next period of our history, should families with means reassume more of these social costs? Should they pay more for their children's education, for their own housing and medical care, and so on? Should they, in effect, reduce their own standard of living? We have begun on this course by increasing the share that families must pay for higher education and the amounts that individuals must pay for medical care above and beyond their insurance protection. For the aged the additional cost of health care has risen from 20 to 44 percent of their medical bills.²⁰ And we have begun to tax retirement benefits for individuals whose total income exceeds \$25,000.

There are issues of income redistribution and social justice to be settled. All welfare involves some redistribution of wealth, but the adjustment to date has been minor. The shares of national income held by the top 5 percent of wealth holders dropped by one percent to 44.5 percent, and for the lowest 5 percent, it rose by .4 percent to 3.9 percent between 1947 and 1975.²¹ Even without facing any demand for equality of income, the issue of whether the present distribution is fair will persist; and if we are to retain our present economic system basically as is, the use of welfare as a means of narrowing the gap between the wealthy and the poor may be in the interest of revitalizing a sense of community and avoiding internal conflict. Between 1969 and 1979 median family income dropped,

after inflation and taxes were factored in. Since 1983 there has been some increase in median family income, but the increase has been small compared to the large numbers of individual fortunes created through the combination of an economic boom and tax cuts for the well-off. The disparity between upper- and lower-income groups seems to be on the rise after some fifty years of its being reduced by public policy.

Finally, a less global welfare issue pertains, but one with powerful ethical ramifications. How much difference among people, other than in terms of income, can we tolerate? We have tried to return to the mainstream of community life the mentally retarded, the mildly mentally ill, and youthful delinquents. These efforts are now being resisted by ordinary citizens, who object to having such persons live in their neighborhoods either because of personal antipathy or fear or anticipation of depressed property values. Whatever the explanations, a major welfare debate of the next decade will center on the question of whether we will segregate those who are different from most of us. The impulse to segregate is seen also in the pervasive fear of minorities and in the choice of location for clusters of low-cost housing for the poor elderly. There will always be differentiation in residence because of differences in economic class and culture, but is our desire—or need—to live only with people who are just like ourselves so strong that we must isolate all who differ?

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Conclusion

There is no convenient way to terminate this brief review of the complex and emotional issues that attach themselves to the welfare debate. It may have become clear that what once were minor issues concerning welfare now involve and pertain to all that matters: the very nature of our communities and our society; the basic ethical and philosophical questions about human relationships; and a large part of our economic life as well. If universities are to equip the youth of our nation to deal with such serious matters when they become mature citizens and must make choices about them, then the health and welfare services provide a tangible basis on which the scholarship of the academy and the realities of daily living can be joined. The result of such a union could be an electorate motivated to make democratic decisions with less prejudice, as well as an enhanced foundation in scientific knowledge about the world we are remaking. Universities have long been laboratories for scientific invention and discovery. Perhaps they can finally become equally effective laboratories for invention and discovery in the realms of human and social organization. Irving Howe has recently reminded us that Ralph Waldo Emerson was once viewed as a prophet of unseizable opportunities in a youthful American democracy.²² Will we seize some of the opportunities that a more grown-up democracy affords?

Notes

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