



AWARD PRESENTATION: l. to r. Senator Hubert H. Humphrey; St. Olaf College sophomore, John Marty, winner of The Institute's National Student Essay Contest and Leonard M. Greene, Institute president.

It says here, "It has been a pleasure to make this award." It has been a pleasure to promise this award.

(Laughter.)

Mr. Greene: And now, may I ask the distinguished members of the panel to take their places.

Each of them represents an essential point-of-view on welfare reform.

Taking their places at the panel table are Professor Mitchell I. Ginsberg, Dean of the Columbia University School of Social Work. He is not only an academic expert, he's been directly involved — as Human Resources Administrator of New York City.

Former Representative Martha Griffiths, who established herself as Congress' paramount authority on welfare reform with the landmark study that she conducted for the Joint Economic Committee.

Dr. Richard Leshner, president of The Chamber of Commerce of the United States, an organization that has been conducting an extensive analysis of welfare reform proposals.

The Honorable Percy Sutton, president of the Borough of Manhattan, whose constituency is so deeply involved with our welfare problems.

Today, The Institute salutes Senator Hubert Humphrey of Minnesota. He has served the public for 35 years as an educator, as mayor of Minneapolis, as four-term Member of the Senate, and as Vice President of the United States.

Over his long career, he has continually proposed new ideas to improve our welfare policies. More than 20 years ago, for example, he was exploring the possibility of a national family allowance. He is still thinking, today, of ways to meet the nation's socioeconomic needs.

The Senator is recognized as one of the outstanding leaders of our time by spokesmen of virtually every political philosophy.

Senator Humphrey, The Institute for Socioeconomic Studies is pleased to present you with this scroll in recognition of your contributions to the nation.

(Applause.)

Senator Humphrey: Are you ready for me now?

(Laughter.)

Senator Humphrey: Thank you very much Mr. Greene.

John, you will see the difference between a medallion and a scroll. Scrolls are readily available. Medallions are hard to come by.

(Laughter.)

Senator Humphrey: But I do want The Institute for Socioeconomic Studies, particularly you, Mr. Greene, to know how much I truly appreciate this citation. These are some of the things that make public life desirable and worthwhile at a time when you are not quite so sure But I thank you.

Young Mr. Marty has had a busy day. And members of the

panel, I know that you are waiting to get at me, and rightly so. I come here just to share some thoughts with you.

So let's get the ground rules kind of straightened out. First of all. I am no expert. I am no Martha Griffiths in this field. I do not have that expertise. I have been interested, all of my life, in assistance, to help people who are disadvantaged, people who are needy, and those persons that want to make a contribution to their country, to their community, to their family and find it difficult to do so.

When I was the mayor of my city of Minneapolis, we started, I believe, the first vocational rehabilitation and job placement program. I was chairman of the welfare board as well as being mayor of my city and we started at once to train people, to counsel people, to work with them, and to employ them, to get them jobs, to reduce our welfare rolls. And it is one of the most interesting times of my life, one of the most rewarding times, because I saw the welfare rolls of my city reduced by over two-thirds by people being put into gainful employment in the private sector, making something out of their lives at a time when it was still being said, "It is hard to get these people to go to work. They don't want to go to work" and all of the mythology and shibboleths that are cast around about people who are what we call "welfare recipients."

Having said that, let me say that welfare reform, subject of your conference, this conference, still remains one of the most difficult and controversial issues facing our nation and all levels of government today. This is not something just for Washington. Every single local government official, particularly every county commissioner, every county official, and most of the municipal officials, are plagued with this problem.

Not knowing quite what to do, and literally just striking out at anybody and everything in their frustration, that is why some of us here in the Congress, over the years, have tried to do so, sort of patch up what little programs we had or what big programs we had, to make them just a little more effective, a little more compassionate and helpful.

Sometimes, in our eagerness to do that, we may have compounded the trouble. But I look back over my career, and I introduced, early in my life of the Senate, what is known today as "Medicare" when it was, really, inviting political death. But we stuck with it for 15 years and, finally, it happened. I reintroduced,



ENQUIRING PANEL follows a point by Senator Humphrey. l. to r. Percy Sutton, president of the Borough of Manhattan; Dr. Richard Leshner, president of The Chamber of Commerce of the United States; Martha W. Griffiths, former chairperson of the Subcommittee on Fiscal Policy, Joint Economic Committee; and Mitchell I. Ginsberg, Dean of the Columbia University School of Social Work. Seated at right is Leonard M. Greene, who served as moderator.

along with Lenore Sullivan, in the House of Representatives, the pilot programs for the first six counties, just six counties on food stamps. And, even with its abuses, it is a program that has given a good deal of help to millions of our fellow citizens.

I have also been interested in the help of the handicapped. I have believed that the handicapped people are a great treasure and a resource that we have ignored for so long and now we find that there is much that they can do and to self-sustaining people with a sense of dignity and performance.

Likewise, as some of those in this audience know and the Governor, particularly, of New York knows, that the great untapped treasure in America is the tremendous talent and creativity of women, in the employment field and in all fields of endeavor.

So, we get down — when you talk welfare reform, you are talking about many things. The word "welfare" encompasses so much. It's almost like a big umbrella over a host of problems and a host of opportunities. Despite sincere efforts of the past to devise a fair and efficient and compassionate system of support for the poor and needy, the real truth is, we have not done so and well-known deficiencies in our current patchwork of federal and state income-support programs have been severely worsened by what has happened to our economy in the last five years.

In the last five years, inflation averaged 6.8 percent, and we have suffered two devastating recessions. But let me say quickly, general figures are rather meaningless. Inflation of 6.8 percent, for a person with \$50,000 a year income is one thing. But 6.8 percent inflation for a person with \$4,000 or \$5,000 a year income is a major disaster.

So these generalized figures, which are bandied about in Washington in high circles, really have very little application to the — to so many of our people.

I told two of my staff people who were riding with me over here today that when I hear the pitiful testimony of people that come before our Joint Economic Committee, who are struggling to live on a meager income, on welfare income or unemployment compensation, I say, "How can they do it?"

Put yourself in their boots for a while. Walk in their moccasins, as the Indian says, for one mile, and see how you feel. It is beyond me how they survive.

Well, this disastrous economic performance that I referred to that has brought us recessions and inflation, has sharply increased the number of families requiring assistance, raised the cost of providing families with welfare, and drastically reduced the ability of state and local governments to meet these increased demands.

The Department of Health, Education and Welfare recently reported that in 1975, welfare costs rose by more than 20 percent. In New York City, and elsewhere, rising income support payments directly attributable to the recession were a key factor in bringing on state and local government budget crisis.

LT. GOVERNOR Mary Anne Krupsak was among the Washington conferees, with Professor William J. Lawrence, Pace University Graduate Center.



While we must focus more explicitly on the impact on the general economy of our income-support system, which I intend to do today, we cannot ignore the basic shortcomings of our current programs. For example, the wide disparity among in-

come support levels in various states has encouraged the movement of the welfare population, as you were saying here, Mr. Greene, in your introductory remarks, often to areas where future job prospects are no better or actually worse than in their own home state. This continuing movement threatens financial collapse in the more liberal and progressive states and inner cities and is beyond their ability to control without betraying their citizens.

Then we have intact families being penalized, compared to those in which one parent has abandoned the family. The ways in which our income support system encourages the breakup of low income families was well documented in the studies conducted by the Joint Economic Committee, under Martha Griffiths' capable leadership. And that part of her study ought to be read by every person, if possible, because it is a human tragedy.

As a result of official policy, we literally destroy families by premeditation. Not inadvertence — premeditation. In parts of the country, the combination of cash and in-kind benefits to some families exceed the after-tax income of working families. This, combined with the sharp benefit reduction generally for earned income, creates severe disincentives for welfare recipients to return to work.

Now, we ought to have enough sense to work that out. There really ought to be enough common sense among so-called "experts" and legislators to be able to correct that situation.

Now, some programs fail to target our limited resources on those most in need and, at the same time, create a bureaucratic nightmare for those who need help. High unemployment over a long period has increased the number of individuals and families in need of income support. That is at the heart of some of our current difficulties.

As a result, we have had to lengthen and broaden the coverage of unemployment insurance, making the unemployment insurance system as much a welfare program as an insurance system against short spells of unemployment.

Let me say here that unemployment compensation was never intended for a long period of time. It was for the short time, the transition between jobs. But we have made it a form of income maintenance. We made it a form of welfare assistance, because we haven't come to grips, yet, with the matter of pro-



NYC WELFARE CHIEFS, Dean Mitchell I. Ginsberg (c) and Dr. James R. Dumpson (r), both of whom have headed the New York City Human Resources Administration, greet Dr. Richard Lodge (l), Executive Director, Council on Social Work Education.

viding employment in this country for the people that want it.

Welfare reform and full employment are closely dependent on each other and must be considered as such. I have just come away from the Banking and Currency Committee meeting this morning. I have heard all the critics about our proposals for full employment; but I ask these critics, here and elsewhere, "What do you propose?" We don't get much answer, except, "time will take care of it." The forces of the market will take care of it.

Well, I want to say that market forces are important, and they will take care of most things, to be sure. But the forces of the market do not take care of some things; and as I said to the Committee on Banking and Currency this morning, the Constitution of the United States doesn't mention "market forces". Nor does the Old, nor the New Testament, nor does the Declaration of Independence, which we celebrate this year in our Bicentennial.

But it does mention "justice", and it does mention "life, liberty and the pursuit of happiness"; and the Constitution does say that we, the people, come together for several purposes. And what were those purposes? They are very specific: To form a more perfect Union. To establish justice; that relates to welfare. To assure domestic tranquility, which surely relates to our inner cities. To provide for the common defense. Against what? Just against outside enemies? Maybe internal enemies, enemies of poverty and disruption, of violence. And to promote the general welfare and to secure the blessings of liberty for ourselves and our posterity.

I think we have got to get our priorities straightened out. I think we have to know what we are talking about; I think we have

SENATOR HUMPHREY, Chairman of the Joint Economic Committee of Congress, as he spoke at The Institute's National Leadership Conference on Welfare Reform.



to understand the difference between the Constitutional language and the corporate language. Once we begin to understand that we will maybe come to grips with what government is all about and what this society is all about. The definition of America is freedom and justice, not marketplace only. I am not unaware of the importance of the marketplace. I think it is tremendously important; but it is but a means to obtain justice. It is not an end unto itself.

(Applause.)

Some of us have our points-of-view, and I have mine, and at my time in life, I intend to state them without regard to the consequences they might have, because there is no consequence that I really want, deserve, or look forward to. So, I will just go ahead with what I have in mind.

(Applause.)

Some of you may be familiar with the bill that has been introduced by Congressman Hawkins and myself, known as the Full Employment and Balanced Growth Act of 1976. Your familiarity, however, will not be improved by just reading about it in the papers or the editorial columns. I know editors are busy, but it wouldn't hurt them to read the bill if they are going to comment on it. I know economists have a lot to do, but it wouldn't hurt them also to ask what else would we do besides what we are proposing.

While the achievement of full employment as defined in this legislation as 3 percent of the adult labor force will not eliminate all of the problems I mentioned earlier, if it could be brought about, it surely would reduce them to more manageable proportions. I am not going to argue whether it ought to be 3 or 4 percent; but I will just tell you that 7.5 percent is unacceptable, 6 percent is unacceptable, 5 percent is unacceptable; frankly, any amount of it is unacceptable.

And there is no reason in God's green earth why the United States of America specializes in high rates of unemployment. And that is what we do! We have got a lot of people running around this country telling us that we are second best to the Russians, in missiles, in ships. Well, I want to tell you something. You have been second best in another way to Denmark, Sweden, Germany, France, England, and a host of other countries in employment. Their average rate of unemployment for the entire 1960's was under 1.5 percent. Ours has been over 5 percent.

Why don't we get proud of the right things? I am not proud of the fact that we have more ICBMs or better ones that are targeted better than the Russians. I know we may need them, but I am not proud of it. What I would be proud of is that I could proclaim that, in a free, democratic, capitalistic society, we have everybody at work who wants a job and is able to have a job.

I say to you that the high priests of finance in this country and business enterprise ought to make that their goal instead of sitting around here arguing about that it can't be done; and they have been saying it can't be done.

(Applause.)

I expect this to trigger some comment, and I am ready. One tragic effect of our most recent recession is that it has so magnified many of the social and economic problems that it left many people believing that the situation is hopeless. I suggest we can make the reform of income support much more manageable if we undertake it in a climate of full employment, just exactly as you can make surgery much more safe if you are in, basically, good healthy condition with no fever and high blood pressure.

Since I have devoted a great deal of time to this subject, let me share a few observations. The Joint Economic Committee has estimated that each 1 percent reduction in unemployment would reduce welfare costs, at the federal level, from \$1.5 to \$2 billion a year and save \$2.5 to \$3 billion in unemployment compensation benefits. This means that moving from an unemployment level of 7.5 percent to even 4 percent would reduce federal expenditures as much as \$17 billion at the federal level alone.

I might add, for each 1 percent of unemployment, you lose \$14 billion in revenue. That is what the problem is with your budget, once you clear away all the bunk and the political diatribe.

Not only that, with each 1 percent of unemployment, you lose a tremendous amount of production. Increasing costs of goods causes low production and that means high costs. That is basic, elementary economics. When you have low production, you have less income. And when you have less income, you have less demand. And when you have less income, you also have less revenue.

So you can put it all together: when you have high unemployment rates, you stifle revenue, you cut it back. In 1975 alone, state and local governments lost \$27 billion of revenue due to the recession. And the federal government, for each 1 percent of unemployment, loses \$14 billion.

Now, it is no mere coincidence that the number of Americans living in poverty in the 1960's was reduced by 14 million, while the unemployment rate dropped from an average of 6.7 in 1961, to 3.6 in 1968. That is what reduces the poverty.

It's like we got out in the Midwest, where we have these rural development programs. I designed one with Senator Talmadge. We traveled all over the United States for better than a year. You want to know what is best for rural development? Income. That takes care of rural development. They will paint the barns; they will put up the buildings; they will improve their farms; and the little towns will start to prosper. No amount of finagling around is half as good as just plain income. When people have jobs, you get them out of poverty. And you will never get them out of poverty just trying to patch them up.

Now, in 1974, the number of individuals living in poverty increased 1,300,000. Figures for 1975 will show a continued worsening of the situation, as unemployment jumped towards 9 percent.

The goals of full employment would be achieved, first, by better management of fiscal and monetary policy. Then, if necessary, through a variety of programs to attack specific stubborn pockets of unemployment.

I call our bill the Magna Carta of free enterprise. I have never seen people that are so reluctant to want to be free. The whole purpose of S. 50 and H.R. 50 is to give a steady continuity of policy to the private enterprise sector so it can invest, expand, and grow, and provide jobs. Then, if they can't do it in the time frame to provide the work people need, its other purpose is to have supplementary programs to be able to provide people with work rather than with relief.



NEW YORK TIMES Editorial Board member William V. Shannon, with Bette K. Fishbein, staff economist of The Institute for Socioeconomic Studies.

Our provisions would also include a youth training and employment program.

I ask this audience a basic question. It might be a topic for your next conference. What are you going to do about youth unemployment? What are we going to do about it? Not just in New York, but all across this land. The rise in crime in rural areas leads — and, of which I am very familiar, is due to youth unemployment. Vandalism, crimes of property in towns of 500, 1,000, and 5,000. And you can no longer close your eyes to it. The rise in crime is not in Chicago. It is not in Washington. It's not in New York. It is out in rural America.

When I say "rural America," I mean small-town America. These kids are not all black, we don't have many out our way. We don't have any Puerto Ricans I know of, except maybe 1,000 or so. We don't have many Chicanos, and the ones we have are doing real good. But we have a lot of good Norwegian, Danish, French, or Spanish-speaking — I should say, Scandinavian-speaking, German-speaking young people that don't have a thing to do; and I'll tell you what they are doing. They are engaging in vandalism. That's a problem that isn't just New York — because everything in Washington has got two focuses: Washington or New York.

I am just here to tell you, there is some other part of the country, and we need to look at that. So we talk about youth training and employment. Regional economic development program, expanded

adult job training and counter-cyclical grants to state and local governments. For those unable to find employment through any of these means, there would be a job reservoir administered by the Department of Labor which would create a limited number of federal jobs and public service jobs, emergency public works.

The Full Employment and Balanced Growth Act is based on the premise that Americans who are able to work would rather have a pay check than a welfare check. The hearings we have held all across the country so indicate. The work ethic is alive in America. The trouble is that much of it is alive in the rhetoric of people who ought to be providing the jobs. They are scolding people about not working and, at the same time, not opening up the jobs. And, maybe through no fault of their own, but maybe through monetary policy, budget policy, tax policy, the failure to give — to have the opportunity to provide the jobs.

Now, finally, the Humphrey-Hawkins bill specifies that work shall be substituted for income maintenance to the maximum extent practicable; although the program does not include present details, one way would be to change the structure of benefit reductions that occur when a welfare recipient goes to work, even at low wages. If we are able to slow the income loss and not paralyze those who return to work, I believe the availability of jobs would, itself, encourage the able-bodied currently on welfare to seek work.

I believe, presently, for every dollar earned, you lose 66 cents in benefits. Well, you have got to be nuts. This is the way to tell people, "Don't work." What you ought to be doing is giving them a

WASHINGTON ATTORNEYS at the conference, Sol M. Linowitz (l) and Henry L. Diamond. Mr. Linowitz, co-chairman of the National Urban Coalition, previously served as U.S. Ambassador to the Organization of American States, while Mr. Diamond, once New York State Commissioner of Environmental Conservation, more recently was Executive Director of The Commission on Critical Choices for Americans.



premium to go to work. We ought to be able to figure that out; those of us who are parents have always known it was either the carrot or the stick; we use both. Most recently, the carrot and not quite so much the stick; in fact, we have gift premiums for everybody.

You gave Mr. Marty here an incentive to provide and give us a great essay. Why didn't you tell him, "Now, if you give us a good essay, we will put you back 6 months in school?" That is exactly what we do today on income maintenance programs.

Now, moving to full employment will not be enough, however. The income support disparities between cities and rural areas, between regions, between working and non-working families, between one-parent and two-parent families, would remain. The recent fiscal crisis of state and municipal governments has highlighted the need, also, for greater federal support of our welfare programs.

For those that are anti-Washington, let me tell you that, if you are going to reform the welfare program, you are going to involve Washington, and deeply. It won't be done out of Arlington; it will be done out of Washington. And it won't be done out of Omaha. That is where they have got the Air Force base. This will have to be done out of here.

One of the most creative and comprehensive proposals for welfare reform, advocated by our former colleague, Martha Griffiths, calls for assumption of welfare costs. A recent article endorses the principals of Martha Griffiths' proposals. I am impressed with this proposal and the growing and diverse sources of support for it.

It would express one or two concerns. I believe we must focus on the reduction of benefits some families would be forced to endure in some states under that proposal, if it is initiated all at once. Yet I realize the dilemma and sympathize with the authors. If benefit levels were adjusted to support income at the highest level prevailing in any state or municipality, increased cost to the federal government would be enormous, particularly at today's unemployment level.

As this proposal is considered in Congress, I believe we must develop, in consultation with state and local governments, an equitable way for maintaining income standards in all states during a transition period. We must correct the disincentives to work and family unity wherever they exist in the present programs. If we did just that, we would make a tremendous step forward.

Now, most programs have a two-for-one reduction in benefits for any earned income above a certain level. We can reduce this by cutting levels as little as 50 percent and, frankly, by cutting it even less, or even more. Changing this provision is, I think, the key to integrating full employment and welfare reform. We must.

And we must, indeed, restore — and we can — the dignity of those who, through no fault of their own, are unable to support themselves.



CROCKER NATIONAL BANK executive vice president Woodward Kingman, the past president of the Government National Mortgage Association, HUD.

All of these proposals that are mentioned — and, by the way, Martha, as you know, your proposal is now in Congress by Congressman Cornell. Then we have the similar McGovern and Javits proposal in the Senate. We have Congressman Ullman with a proposal. Several of these proposals work through the IRS in the form of negative income tax rather than through the welfare system.

I think that has genuine merit, because we need to get away from the stigma of welfare for those who really need it. This country is rich enough and, I hope, we have enough sense of compassion and fairness to see that those that desperately need income maintenance and income assistance shall have it without having to line up at a particular window and say, "I am a welfare client."

These are some of the broad outlines I toss out to you today that I would like us to accomplish as we restructure our welfare system. There are many other problems, and I do not have the time, nor do you have, for me to outline them; such as the inefficient administration of programs and the many abuses that exist. But I see here, in the audience, many of you who have more expertise to recommend how we should go about this. And, obviously, it deserves high priority.

Many people have expressed grave doubts about our nation's

ability to finance a broad income maintenance program and, at the same time, some form of comprehensive health insurance. What that form will be, I can't predict; but I just want to say, quickly, it doesn't have to be patterned after Great Britain. We haven't done that before. We got rid of Great Britain in 1776, and we don't need to join them in 1976. We can find our own way. But if we continue to pursue the policies that leave us with unemployment at 6 or 7 or 8 percent — and I remind this audience that there is not a single projection of your government, for the next four years, that doesn't leave you with 6 percent unemployment. Do you have the right; do we, in this room, have the right, Hubert Humphrey and others, to ask for price stability at the ever-increasing misery and destitution of a minority of our people? Is that morally right? Because we are all filled up with morality these days.

Well, let's make it real morality, morality that, in the economic marketplace as well as morality in Congress or in government or in schools. I say, with the realization of full employment, our economy can generate most of the revenues needed to meet the vital needs of American people. Without the full employment, there is no way that you can generate the revenues. All you do is go deeper and deeper into debt.

I received most of my education, believe it or not, from my father. Every day of my life, I love him more. I sometimes wonder why I spent so much time in college, and it was so costly. Because I was told, very early in life, the real things that I needed to know.

One of the things is the great interdependence of all of us, the society in which we live, how much we depend on the other person. I was also told, very early in life, that, if you really want to do something, son, you have got to do more. You have got to work harder; you have got to produce more; you have got to do a better job. There is no way in the world that we can pay for what we want unless we get America producing at the levels that it is capable of producing. As long as we are dragging, we are going to find excuse after excuse not to do what is needed to do.

That is why I said welfare reform is more possible and becomes more meaningful in the climate of a prosperous economy, of a fully employed economy.

Thank you.

(Applause.)

REMARKS OF SENATOR HUBERT H. HUMPHREY
NATIONAL LEADERSHIP CONFERENCE ON WELFARE REFORM

Washington, D. C.

May 25, 1976

Welfare reform -- the subject of this conference -- remains one of the most difficult and controversial issues facing our nation and all levels of government today.

Despite the sincere efforts of the past to devise a fair, efficient and compassionate system of support for the poor and the needy we have not done so. And well known deficiencies in our current patchwork of Federal and State income support programs have been severely worsened by poor management of the economy in the last 5 years.

In the last five years inflation averaged 6.8 percent and we have suffered two devastating recessions. This disastrous economic performance sharply increased the number of families requiring welfare, raised the cost of providing families with welfare, and drastically reduced the ability of state and local governments to meet these increased demands.

The Department of Health, Education and Welfare recently reported that in 1975, welfare costs rose by more than 20 percent. In New York City, and elsewhere, rising income support payments, directly attributable to the recession, were a key factor in bringing on state and local government budget crises.

While we must focus more explicitly on the impact of the general economy on our income support system we cannot ignore the basic shortcomings of our current programs.

-- The wide disparities among income support levels in various States have encouraged the movement of the welfare population, often to areas where future job prospects are no better or are actually worse than in their home state.

This continuing movement threatens financial collapse in progressive states and inner cities and is beyond their ability to control without betraying their citizens.

-- Intact families are penalized compared to those in which one parent has abandoned the family. The ways in which our income support system encourages the break-up of low-income families was well documented in the studies conducted by the Joint Economic Committee under Martha Griffiths' very capable leadership.

-- In some parts of the country, the combination of cash and in-kind benefits to some families exceed the after-tax income of working families. This, combined with the sharp benefit reduction generally for any earned income, creates severe disincentives for welfare recipients to return to work.

-- Some programs fail to target our limited resources on those most in need and, at the same time create a bureaucratic nightmare for those who need help.

-- High unemployment over a prolonged period has increased the number of individuals and families in need of income support. As a result, we have had to lengthen and broaden the coverage of Unemployment Insurance making the U.I. system as much a welfare program as an insurance system against short spells of unemployment.

Welfare reform and full employment are closely dependent on each other and must be considered as such. I have recently introduced with Congressman Augustus Hawkins and many other cosponsors in the House and Senate, the Full Employment and Balanced Growth Act of 1976. While the achievement of full employment, defined in S. 50 as 3 percent of the adult labor force, will not eliminate all of the problems I mentioned earlier, it will reduce them to more manageable proportions.

One tragic effect of our most recent recession, is that it has so magnified many social and economic problems that it has left many people believing that the situation is hopeless.

We can make the reform of income support much more manageable if we undertake it in a climate of full employment. Since I have devoted a great deal of time and effort to this subject, I will share some observations with you.

The Joint Economic Committee staff has estimated that each one percent reduction in the unemployment rate would reduce welfare cost at the Federal level by \$1.5 to \$2 billion and save \$2.5 to \$3 billion in unemployment compensation benefits. This means that moving from an unemployment level of 7.5 percent to even 4 percent would reduce these expenditures by as much as \$17 billion at the Federal level alone. The expenditure saving is only half the story. Tax receipts would also rise significantly.

It is no mere coincidence that the number of Americans living in poverty in the 1960's was reduced by 14 million while the unemployment rate dropped from an average of 6.7 percent in 1961 to 3.6 percent in 1968. In 1974 the number of individuals living in poverty increased by 1.3 million. Figures for 1975 will show a continued worsening of the situation, as unemployment jumped upward to 9 percent.

The goals of full employment as expressed in S. 50 would be achieved first by better management of fiscal and monetary policy, and then, if necessary through a variety of programs to attack specific stubborn pockets of unemployment. These would include a youth training and employment program, a regional economic development program, expanded adult job training and counter-cyclical grants to state and local governments. For those unable to find employment through any of these means, there would be a job reservoir, administered by the Department of Labor, which would create a limited number of federal jobs.

The Full Employment and Balanced Growth Act is based on the premise that most Americans who are able to work would rather have a paycheck than a welfare check. The many hearings which I have held across the country in the last year, convince me that the great majority of our citizens want to work.

The Humphrey-Hawkins Bill specifies that work shall be substituted for income maintenance "to the maximum extent practicable." Although the bill does not include any programmatic details, one way to implement this section would be to change the structure of benefit reductions that occur when a welfare recipient goes to work, even at low wages. If we were able to slow the income loss and not penalize those who return to work, I believe that the availability of jobs would in itself encourage the able-bodied currently on welfare to seek work.

Moving to full employment, however, will not be enough. The income support disparities between cities and rural areas, between regions, between working and non-working families and between one-parent and two-parent families, would remain.

The recent fiscal crisis of state and municipal governments has highlighted the need for greater federal financial support of our welfare programs.

One of the most creative and comprehensive proposals for welfare reform, advocated by my former colleague Martha Griffiths, calls for federal assumption of welfare costs. A recent letter to the President from a group of distinguished economists, including James Tobin, Herbert Stein, Joe Pechman and others, endorses the principles of the Griffiths' proposal.

While I am impressed with this proposal and the growing and diverse sources of support for it, I do have some concerns.

I believe we must focus very carefully on the reduction in benefits that some families would be forced to endure in some states under this proposal. Yet I realize the dilemma and sympathize with the authors. If benefit levels were adjusted to support income at the highest level prevailing in any state or municipality, the increased costs to the federal government would be enormous, particularly at today's unemployment level. As this proposal is considered in Congress, I believe that we must develop, in consultation with state and local governments, an equitable way for maintaining income standards in all states during a transitional period.

We must correct the disincentives to work and to family unity wherever they exist in present programs. Now most programs have a two for one reduction in benefits for any earned income above a certain level. We can reduce this income loss by cutting benefits as little as 50 percent for any wages earned over a certain amount; changing this provision is, I think, the key to integrating full employment and welfare reform.

Finally, we can and must restore the dignity of those, who through no fault of their own, are unable to support themselves.

These are broad outlines of what I would like to see us accomplish as we restructure our welfare system. There are other problems I haven't dealt with, such as inefficient administration of programs and the abuses that exist. But I see here in the audience today many of you who have more expertise to recommend how we should go about this -- obviously it deserves high priority.

Many people have expressed grave doubts about our nation's ability to finance a broad income maintenance program and comprehensive health insurance. If we continue to pursue policies that leave us with unemployment at 6,7 or 8 percent, these critics are correct. But with the realization of full employment our economy can generate most of the revenues needed to meet these vital human needs of the American people.

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Leonard Greene
John Martin - Holy College

REMARKS OF SENATOR HUBERT H. HUMPHREY

NATIONAL LEADERSHIP CONFERENCE ON WELFARE REFORM

WASHINGTON, D. C.

MAY 25, 1976

WELFARE REFORM -- THE SUBJECT OF THIS CONFERENCE --

REMAINS ONE OF THE MOST DIFFICULT AND CONTROVERSIAL ISSUES
FACING OUR NATION AND ALL LEVELS OF GOVERNMENT TODAY.

DESPITE THE SINCERE EFFORTS OF THE PAST TO DEVISE
A FAIR, EFFICIENT AND COMPASSIONATE SYSTEM OF SUPPORT FOR
THE POOR AND THE NEEDY, WE HAVE NOT DONE SO, AND, WELL
KNOWN DEFICIENCIES IN OUR CURRENT PATCHWORK OF FEDERAL
AND STATE INCOME SUPPORT PROGRAMS HAVE BEEN SEVERELY
WORSENER BY POOR MANAGEMENT OF THE ECONOMY IN THE LAST 5 YEARS.

IN THE LAST FIVE YEARS INFLATION AVERAGED 6.8 PERCENT
AND WE HAVE SUFFERED TWO DEVASTATING RECESSIONS.

THIS DISASTROUS ECONOMIC PERFORMANCE SHARPLY INCREASED THE
NUMBER OF FAMILIES REQUIRING WELFARE,

RAISED THE COST OF PROVIDING FAMILIES WITH WELFARE, AND

DRASTICALLY REDUCED THE ABILITY OF STATE AND LOCAL GOVERNMENTS

TO MEET THESE INCREASED DEMANDS.

THE DEPARTMENT OF HEALTH, EDUCATION AND WELFARE RECENTLY

REPORTED THAT IN 1975, WELFARE COSTS ROSE BY MORE THAN 20

PERCENT. IN NEW YORK CITY, AND ELSEWHERE, RISING INCOME

SUPPORT PAYMENTS, DIRECTLY ATTRIBUTABLE TO THE RECESSION,

WERE A KEY FACTOR IN BRINGING ON STATE AND LOCAL GOVERNMENT

BUDGET CRISES.

WHILE WE MUST FOCUS MORE EXPLICITLY ON THE IMPACT OF THE

GENERAL ECONOMY ON OUR INCOME SUPPORT SYSTEM, WE CANNOT

IGNORE THE BASIC SHORTCOMINGS OF OUR CURRENT PROGRAMS.

Tr. Hample

-3-

-- THE WIDE DISPARITIES AMONG INCOME SUPPORT LEVELS IN
VARIOUS STATES HAVE ENCOURAGED THE MOVEMENT OF THE WELFARE
POPULATION, OFTEN TO AREAS WHERE FUTURE JOB PROSPECTS ARE NO
BETTER OR ARE ACTUALLY WORSE THAN IN THEIR HOME STATE.

L THIS CONTINUING MOVEMENT THREATENS FINANCIAL COLLAPSE IN
PROGRESSIVE STATES AND INNER CITIES AND IS BEYOND THEIR
ABILITY TO CONTROL WITHOUT BETRAYING THEIR CITIZENS.

L -- INTACT FAMILIES ARE PENALIZED COMPARED TO THOSE IN
WHICH ONE PARENT HAS ABANDONED THE FAMILY THE WAYS IN WHICH
OUR INCOME SUPPORT SYSTEM ENCOURAGES THE BREAK-UP OF LOW-INCOME
FAMILIES WAS WELL DOCUMENTED IN THE STUDIES CONDUCTED BY THE
JOINT ECONOMIC COMMITTEE UNDER MARTHA GRIFFITH'S VERY CAPABLE
LEADERSHIP.

L-- IN SOME PARTS OF THE COUNTRY, THE COMBINATION OF CASH
AND "IN-KIND" BENEFITS TO SOME FAMILIES EXCEED THE AFTER-TAX
INCOME OF WORKING FAMILIES. THIS, COMBINED WITH THE SHARP
BENEFIT REDUCTION GENERALLY FOR ANY EARNED INCOME, CREATES
SEVERE DISINCENTIVES FOR WELFARE RECIPIENTS TO RETURN TO WORK,
L-- SOME PROGRAMS FAIL TO TARGET OUR LIMITED RESOURCES ON
THOSE MOST IN NEED AND, AT THE SAME TIME, CREATE A BUREAUCRATIC
NIGHTMARE FOR THOSE WHO NEED HELP.

L-- HIGH UNEMPLOYMENT OVER A PROLONGED PERIOD HAS INCREASED
THE NUMBER OF INDIVIDUALS AND FAMILIES IN NEED OF INCOME SUPPORT,

L AS A RESULT, WE HAVE HAD TO LENGTHEN AND BROADEN THE COVERAGE
OF UNEMPLOYMENT INSURANCE, MAKING THE U.I. SYSTEM AS MUCH A
WELFARE PROGRAM AS AN INSURANCE SYSTEM AGAINST SHORT SPELLS
OF UNEMPLOYMENT.

Full Employment

-5-

L WELFARE REFORM AND FULL EMPLOYMENT ARE CLOSELY DEPENDENT
ON EACH OTHER AND MUST BE CONSIDERED AS SUCH. I HAVE RECENTLY

INTRODUCED WITH CONGRESSMAN AUGUSTUS HAWKINS AND MANY OTHER
COSPONSORS IN THE HOUSE AND SENATE, THE FULL EMPLOYMENT AND

BALANCED GROWTH ACT OF 1976. WHILE THE ACHIEVEMENT OF FULL

EMPLOYMENT, DEFINED IN S. 50 AS 3 PERCENT OF THE ADULT LABOR

FORCE, WILL NOT ELIMINATE ALL OF THE PROBLEMS I MENTIONED

EARLIER, IT WILL REDUCE THEM TO MORE MANAGEABLE PROPORTIONS.

L ONE TRAGIC EFFECT OF OUR MOST RECENT RECESSION, IS THAT

IT HAS SO MAGNIFIED MANY SOCIAL AND ECONOMIC PROBLEMS THAT IT

HAS LEFT MANY PEOPLE BELIEVING THAT THE SITUATION IS HOPELESS.

2 suggest -

L WE CAN MAKE THE REFORM OF INCOME SUPPORT MUCH MORE

MANAGEABLE IF WE UNDERTAKE IT IN A CLIMATE OF FULL EMPLOYMENT.

SINCE I HAVE DEVOTED A GREAT DEAL OF TIME AND EFFORT TO THIS
SUBJECT, I WILL SHARE SOME OBSERVATIONS WITH YOU.

L THE JOINT ECONOMIC COMMITTEE STAFF HAS ESTIMATED THAT EACH ONE
PERCENT REDUCTION IN THE UNEMPLOYMENT RATE WOULD REDUCE WELFARE
COST AT THE FEDERAL LEVEL BY \$1.5 TO \$2 BILLION AND SAVE \$2.5 TO
\$3 BILLION IN UNEMPLOYMENT COMPENSATION BENEFITS. THIS MEANS THAT
MOVING FROM AN UNEMPLOYMENT LEVEL OF 7.5 PERCENT TO EVEN 4 PERCENT
WOULD REDUCE THESE EXPENDITURES BY AS MUCH AS \$17 BILLION AT THE

*also
Production
division
sep.*
FEDERAL LEVEL ALONE. THE EXPENDITURE SAVING IS ONLY HALF THE STORY.
TAX RECEIPTS WOULD ALSO RISE SIGNIFICANTLY. *Each 1% Unemp
Results in 14 Billion
Revenue Loss*

L IT IS NO MERE COINCIDENCE THAT THE NUMBER OF AMERICANS LIVING
IN POVERTY IN THE 1960'S WAS REDUCED BY 14 MILLION WHILE THE
UNEMPLOYMENT RATE DROPPED FROM AN AVERAGE OF 6.7 PERCENT IN 1961
TO 3.6 PERCENT IN 1968.

L IN 1974 THE NUMBER OF INDIVIDUALS LIVING IN POVERTY INCREASED BY

1.3 MILLION, FIGURES FOR 1975 WILL SHOW A CONTINUED WORSENING

OF THE SITUATION, AS UNEMPLOYMENT JUMPED UPWARD TO 9 PERCENT,

L THE GOALS OF FULL EMPLOYMENT AS EXPRESSED IN S. 50 WOULD

BE ACHIEVED FIRST BY BETTER MANAGEMENT OF FISCAL AND MONETARY

POLICY, AND THEN, IF NECESSARY, THROUGH A VARIETY OF PROGRAMS TO

ATTACK SPECIFIC STUBBORN POCKETS OF UNEMPLOYMENT. THESE WOULD

INCLUDE A YOUTH TRAINING AND EMPLOYMENT PROGRAM, A REGIONAL

ECONOMIC DEVELOPMENT PROGRAM, EXPANDED ADULT JOB TRAINING AND

COUNTER-CYCLICAL GRANTS TO STATE AND LOCAL GOVERNMENTS. FOR

THOSE UNABLE TO FIND EMPLOYMENT THROUGH ANY OF THESE MEANS,

THERE WOULD BE A JOB RESERVOIR, ADMINISTERED BY THE DEPARTMENT

OF LABOR, WHICH WOULD CREATE A LIMITED NUMBER OF FEDERAL JOBS.

*Public Service
Emerg. Public Works*

For every Dollar earned
you lose 66¢ in Benefits
Thus a Dollar income
turns to be 33¢

L THE FULL EMPLOYMENT AND BALANCED GROWTH ACT IS BASED ON THE
PREMISE THAT MOST AMERICANS WHO ARE ABLE TO WORK WOULD RATHER

HAVE A PAYCHECK THAN A WELFARE CHECK, L THE MANY HEARINGS WHICH *we*

HAVE HELD ACROSS THE COUNTRY IN THE LAST YEAR, CONVINCED ME THAT

THE GREAT MAJORITY OF OUR CITIZENS WANT TO WORK.

*Work Ethics
a fact of
amer. life*

L THE HUMPHREY-HAWKINS BILL SPECIFIES THAT WORK SHALL BE SUBSTITUTED
FOR INCOME MAINTENANCE "TO THE MAXIMUM EXTENT PRACTICABLE."

L ALTHOUGH THE BILL DOES NOT INCLUDE ~~ANY~~ PROGRAMMATIC DETAILS, ONE
WAY TO IMPLEMENT THIS SECTION WOULD BE TO CHANGE THE STRUCTURE OF

BENEFIT REDUCTIONS THAT OCCUR WHEN A WELFARE RECIPIENT GOES TO

WORK, EVEN AT LOW WAGES. L IF WE WERE ABLE TO SLOW THE INCOME LOSS

AND NOT PENALIZE THOSE WHO RETURN TO WORK, I BELIEVE THAT THE

AVAILABILITY OF JOBS WOULD IN ITSELF ENCOURAGE THE ABLE-BODIED

CURRENTLY ON WELFARE TO SEEK WORK.

MOVING TO FULL EMPLOYMENT, HOWEVER, WILL NOT BE ENOUGH.

THE INCOME SUPPORT DISPARITIES BETWEEN CITIES AND RURAL AREAS,
BETWEEN REGIONS, BETWEEN WORKING AND NON-WORKING FAMILIES AND
BETWEEN ONE-PARENT AND TWO-PARENT FAMILIES, WOULD REMAIN.

THE RECENT FISCAL CRISIS OF STATE AND MUNICIPAL GOVERNMENTS
HAS HIGHLIGHTED THE NEED FOR GREATER FEDERAL FINANCIAL SUPPORT
OF OUR WELFARE PROGRAMS.

2 ONE OF THE MOST CREATIVE AND COMPREHENSIVE PROPOSALS FOR
WELFARE REFORM, ADVOCATED BY MY FORMER COLLEAGUE MARTHA

GRIFFITHS, CALLS FOR FEDERAL ASSUMPTION OF WELFARE COSTS. A

RECENT LETTER TO THE PRESIDENT FROM A GROUP OF DISTINGUISHED

ECONOMISTS, INCLUDING JAMES TOBIN, HERBERT STEIN, JOE PECHMAN

AND OTHERS, ENDORSE THE PRINCIPLES OF THE GRIFFITHS PROPOSAL.

* Such as a 5 yr Period - Hold Hammer on
N.Y.C. - While other areas have
income maintenance levels go up
by cost of living increase

WHILE I AM IMPRESSED WITH THIS PROPOSAL AND THE GROWING AND DIVERSE SOURCES OF SUPPORT FOR IT, I HAVE SOME CONCERNS.

L I BELIEVE WE MUST FOCUS VERY CAREFULLY ON THE REDUCTION IN BENEFITS THAT SOME FAMILIES WOULD BE FORCED TO ENDURE IN

SOME STATES UNDER THIS PROPOSAL. / YET I REALIZE THE DILEMMA

AND SYMPATHIZE WITH THE AUTHORS. / IF BENEFIT LEVELS WERE

ADJUSTED TO SUPPORT INCOME AT THE HIGHEST LEVEL PREVAILING

IN ANY STATE OR MUNICIPALITY, THE INCREASED COSTS TO THE

FEDERAL GOVERNMENT WOULD BE ENORMOUS, PARTICULARLY AT TODAY'S

UNEMPLOYMENT LEVEL. / AS THIS PROPOSAL IS CONSIDERED IN CONGRESS,

I BELIEVE THAT WE MUST DEVELOP, IN CONSULTATION WITH STATE AND

LOCAL GOVERNMENTS, AN EQUITABLE WAY FOR MAINTAINING INCOME

STANDARDS IN ALL STATES DURING A TRANSITIONAL PERIOD.

↳ WE MUST CORRECT THE DISINCENTIVES TO WORK AND TO FAMILY UNITY
WHEREVER THEY EXIST IN PRESENT PROGRAMS. ↳ NOW MOST PROGRAMS
HAVE A TWO FOR ONE REDUCTION IN BENEFITS FOR ANY EARNED INCOME
ABOVE A CERTAIN LEVEL. ↳ WE CAN REDUCE THIS INCOME LOSS BY CUTTING
BENEFITS AS LITTLE AS 50 PERCENT FOR ANY WAGES EARNED OVER A
CERTAIN AMOUNT. CHANGING THIS PROVISION IS, I THINK, THE KEY TO
INTEGRATING FULL EMPLOYMENT AND WELFARE REFORM.

↳ FINALLY, WE CAN AND MUST RESTORE THE DIGNITY OF THOSE WHO,
THROUGH NO FAULT OF THEIR OWN, ARE UNABLE TO SUPPORT THEMSELVES.

↳ THESE ARE BROAD OUTLINES OF WHAT I WOULD LIKE TO SEE US
ACCOMPLISH AS WE RESTRUCTURE OUR WELFARE SYSTEM. ↳ THERE ARE
OTHER PROBLEMS I HAVEN'T DEALT WITH, SUCH AS INEFFICIENT
ADMINISTRATION OF PROGRAMS AND THE ABUSES THAT EXIST.

BUT I SEE HERE IN THE AUDIENCE TODAY MANY OF YOU WHO HAVE MORE
EXPERTISE TO RECOMMEND HOW WE SHOULD GO ABOUT THIS -- OBVIOUSLY
IT DESERVES HIGH PRIORITY.

L MANY PEOPLE HAVE EXPRESSED GRAVE DOUBTS ABOUT OUR NATION'S
ABILITY TO FINANCE A BROAD INCOME MAINTENANCE PROGRAM AND
COMPREHENSIVE HEALTH INSURANCE. L IF WE CONTINUE TO PURSUE POLICIES
THAT LEAVE US WITH UNEMPLOYMENT AT 6,7 OR 8 PERCENT, THESE
CRITICS ARE CORRECT. L BUT WITH THE REALIZATION OF FULL
EMPLOYMENT OUR ECONOMY CAN GENERATE MOST OF THE REVENUES NEEDED
TO MEET THESE VITAL HUMAN NEEDS OF THE AMERICAN PEOPLE.

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