CHAPTER

5

Who Gets What

The Analysis of Types
of Benefits and Services

Introduction

Because there are so many types of benefits and services, sorting them out is, unfortunately, a complicated matter. Here’s one approach to it. First, consider social welfare benefits to be any income transfer in a nonmarket exchange. That means you count as welfare benefits any money you receive for which you haven’t either labored or traded for goods of some kind. It is a common way to define welfare, and done that way, it includes anything from a free school lunch to a government guarantee of a corporate loan. Benefits thus defined can also include nonmaterial things like increased power over organizational decisions, positive discrimination like giving preference to the hiring of special group members such as veterans, as well as “expert services” like we all get from physicians and lawyers. That’s because, ultimately, all of the preceding examples translate into cash. In this chapter, we’ll be discussing common types everybody refers to as “welfare” benefits and services, but we’ll talk about uncommon types as well. Criteria that can be used to judge the merit of benefits and services will be discussed. Finally, examples will be given of benefit packages to illustrate how benefits and services are commonly received in sets as well as singly.

A Classification Scheme for Benefit and Service Types

Practitioners need a clear grasp of the most common social policy benefit and service alternatives. This classification scheme will assume that any of these benefit forms are interchangeable—which may mean positive or negative consequences. A benefit form can only be judged relative to the available alternatives, so it might help to see how, in very different ways, each benefit form could be used to solve the same social problem.

Assume that a low-income, working-class family has exhausted its insurance coverage for mental illness. Derek and Drusilla Orkney, both in their mid-thirties, have four children and live in a moderate-size urban area on the eastern seaboard. Derek is a welder in a manufacturing plant, and Drusilla is a waitress at a neighborhood tavern. The Orkneys’ children range from age seven years to eight months. Drusilla is
suffering from a recurring psychosis, an illness first diagnosed when she was fifteen. This is her fourth episode. She has delusions of being pregnant with the second Savior, fights with those who frustrate her low tolerance for contradiction, and hallucinates about visitations by the Holy Spirit. When agitated, she paces the floor and pays no attention to her appearance or to others around her. She cannot care for her children now; nor can she work. It is difficult to predict how long she will be unable to function. Derek also fears she will injure the children.

What different types of benefits could remedy or reduce the harm of this situation to the family? Consider Drusilla. Derek wanted a psychiatrist and inpatient psychiatric hospital treatment for Drusilla, what we will call expert services. These days, if Drusilla gets those at all, it will most likely be in a community hospital unit, perhaps operated as a part of her local community mental health center. Her hospital care has to be subsidized by public funds since she has exhausted her insurance coverage, and the reason tax money provides the subsidy is likely to be because the community considers illness a danger to her children—anywhere considered a social problem of importance. But the city or state that provided the funds could have chosen many other types of solutions (or partial solutions). Not likely in reality, but they could have chosen a policy that would simply issue a check to the Orkneys in the amount of the charges on presentation of the hospital bill. That is called a cash benefit. Even though the benefit is in the form of a check, the issue defining a cash benefit is how negotiable is the face amount. If it is exchanged for the face amount, it is a cash benefit. In the Orkneys’ case, the benefit is both a cash benefit and for expert services.

In a later chapter, readers will be asked to think broadly about who gains and who loses from all forms of benefits and services, but let us here note a feature of cash benefits that is commonly overlooked: Cash welfare benefits also benefit merchants that welfare beneficiaries patronize. A welfare dollar paid to a merchant (grocery store, clothing store, whatever) by a welfare recipient is the economic equivalent of a dollar the merchant receives from anyone else. What is meant by that is simply that welfare dollars, like other government dollars, contribute to the economy by providing employment in retail establishments as well as in the wholesale suppliers that manufacture the goods sold by the merchant. It is not true that welfare dollars somehow vanish into the marketplace with no positive economic impact.

The policy options can become much more complex. Suppose that the public policy was to pay private hospitals to provide care for citizens afflicted with illnesses like Drusilla’s, but rather than giving the citizens cash, the public treasury gave money directly to the hospital. If this amount of money in this case was directly related to the costs incurred by Drusilla, then this type of benefit is a credit. The public treasury credits the Orkneys’ account at the hospital with a certain amount. Derek will pay the rest of their bill (if the government doesn’t pay it all). As in the preceding example, there are two benefit forms here—expert services and a credit. If the public treasury pays the hospital for anticipated costs of the “average patient,” a cost related to a group and not to any one citizen, the benefit looks more like a subsidy (more on this later). Credits and vouchers are prepayments or postpayments to a purveyor of benefits and services. The difference between a credit and a voucher is that a voucher is a written authorization to receive a benefit or service; the choice of purveyor is left with the consumer or beneficiary. The distinction is important because vouchers retain a good bit of consumer sovereignty. A
credit is prearranged in such a way that the benefit or service can be received only by the
purveyor chosen by the organization that provided the credit. An example here is the
“grocery order” given to an applicant from local county or private funds, an “order” that
can be redeemed only at particular grocery stores.

There are still other benefit forms that could be used as instruments of public
policy. For example, a public policy could adopt a subsidy approach to help its citizens
gain access to expert services for the treatment of mental illness. In return for a guaran-
ette that the particular facility would serve all or a stated portion of low-income clients/
consumers, the state could give hospitals 50 percent of their start-up costs and 70 percent
of their net operating costs (or some fixed percentage of each). Even though the state is
not directly paying the Orkneys’ hospital bills, it is paying them indirectly through this in-
stitutional subsidy. The hospital may agree to accept the government subsidy as settle-
ment for the account of any low-income patient. Once again, two benefit forms are at
work here—expert services and a subsidy. There are a number of public subsidies at work
in the United States. Government payments to purchase computers for educational cen-
ters; passenger railroad service operations; national, state, and local highway construc-
tion; the operation of community mental health centers; many day care centers; and the
education of developmentally disabled children are all examples of public subsidies.

Note especially that what makes the subsidy a distinct benefit form for our pur-
poses here is that the intended beneficiary may be several steps removed from receipt of
the actual cash transaction. Also note that, as is the case with most other benefit forms,
many citizens—other than those for whom the subsidy is directly intended—indirectly
and substantially benefit from public subsidies. With respect to government subsidies
providing computer networks (CERN, etc.) for universities, students obtain a substi-
tional benefit—they gain marketable computer and research skills they might not other-
wise have; the computer industry is a gainer because it sells more machines, given the
government subsidy. The Medicaid program, which subsidizes medical expenses for
low-income patients, also benefits the hospital industry by picking up costs for services
that hospitals cannot deny, services for which they cannot expect to obtain payment
from patients. Hospital employees—including social workers—also benefit.

There is a small but useful distinction between market and wholesale subsidies.
Those we’ve discussed so far are consumer subsidies, those in which the public treasury
supplies monies to provide an indirect benefit to a particular population group so as to
serve the national self-interest. The focus of consumer subsidies, their intended pur-
pose, is to benefit consumers, not producers. Consumer food subsidy is a common form
of social welfare benefit worldwide. In Britain in past years, the price of bread, cheese,
and milk has been subsidized at rates that reduce the price to the consumer some 21 to
40 percent. The government picks up the difference between the price grocers pay to
the producers and the price received from consumers. All consumers, regardless of in-
come, receive the benefit of this subsidy.

Market subsidies, on the other hand, focus on benefits for producers, not con-
sumers. In a market subsidy, there may be no one who receives goods or cash supplied
by the government treasury; nor is there always an identifiable product involved. Some
agricultural market subsidies are a good example because the subsidy here is not cash or
the availability of a product, but a guarantee of a particular price to farmers for specific
crops they raise. Under certain conditions, market forces do not generate a price that covers the cost of production for farmers. So, wheat, corn, and soybeans, for example, have a support price, and when market price goes below that, wheat growers will get the difference between the support price set by the government and the market price. Note now that the intention of farm support prices is not only to benefit individual producers/farmers (though there is much disagreement over the issue), but also in part (as declared) to ensure that the “family farm” remains as a viable unit in the U.S. economy and that those producers/industries that depend heavily on farmers as consumers are assured a strong market for their products (farm machinery, steel, rubber, fertilizer, and such). There are market subsidies in industries other than agriculture, of course. Scarce defense materials (such as uranium and tungsten and even tanker ships) are often in line for government subsidies because of their wide use in the economy and the government’s wish to have them available should a defense need arise.

None of the preceding exhausts the benefit forms by which the government could pursue its general policies. It could choose to provide expert services only to those who, because they were unjustly denied in the past, are in very special need. Positive discrimination is a benefit form that attempts to restore equity where inequity has prevailed in the past. Applicants for the benefit are not treated identically or equally. They get special treatment now as a way of remedying unequal treatment in the past. Examples include health-related benefits for American Indians through the Indian Health Service (IHS) and Social Security retirement benefits for Japanese Americans who spent a portion of their working-age years in internment camps during World War II.

Affirmative action laws and certain administrative procedures are also examples of positive discrimination, a special benefit made available to three groups—racial and ethnic minorities, disabled persons, and women—membership in which is, by public policy, deemed prima facie evidence of past discrimination with regard to employment. These groups are commonly given hiring priority for university faculty and many civil service positions. Clearly, there is little debate about the intent, although widespread public debate in the United States continues on whether the benefit of positive discrimination is a useful and/or effective means by which to right a wrong. Judicial decisions and state legislatures have recently prohibited many kinds of positive discrimination.

Three other types of benefits common in the United States are loan guarantees, material goods and commodities, and protective regulation. Loan guarantees have been a public policy favorite when the population sector of concern was the middle class or the business community. A common example is the Federal Housing Administration (FHA) Program, which provides federal government guarantees of mortgage loans for private dwellings. If the home owner defaults, the U.S. government will pay off the loan. If no money changes hands, how can the loan guarantee be a benefit? It turns out to be a significant benefit because it will often result in a substantial loan from a bank when, without the guarantee, no money would be forthcoming, or sometimes at higher interest rates. As with all other benefit forms, of course, others will benefit nearly as much as the home owner (the primary intended beneficiary): the home builder, the banker, the materials supplier for the home builder, to mention only a few. Loan guarantees are not made to individuals only. The U.S. government has made massive loan guarantees to businesses and whole sectors of industry. The 1990 bailout of the U.S. savings and
loan (S&L) industry is perhaps the most extravagant example. It is clearly the most expensive federal intervention ever, with cost estimates currently running around $230 billion. It makes prior ventures along this line (including investment subsidies to the poor and middle class) pale by comparison. Note especially that these financial guarantees to S&Ls do not necessarily produce a single job or build a single unit of private family housing (arguably a predictable result of other government loan guarantees mentioned in what follows). Nor are main beneficiaries either the poor or the middle class, few of whom are large savings and loan investors. Indeed, S&Ls may once again be a financing resource for middle-class housing, but at the present moment, there is no shortage of such housing or financing. Of recent memory are also the federal guarantees of loan monies to the Chrysler Corporation, without which the automaker would probably have gone bankrupt. Even New York City was bailed out of financial difficulties by a government guarantee of its debt. Slightly more removed in time is the loan guarantee to the Lockheed Corporation, without which the aircraft industry would have been minus one of its oldest and largest members. In the case of Lockheed, once again the primary economy is not the only beneficiary; aircraft suppliers and workers also benefited.

An example of material goods and commodities (in-kind benefits) is the distribution of surplus farm products like cheese, flour, and bacon by the federal government. Although little remains of the formerly large Federal Commodities Distribution program, it still operates on Indian reservations. Goods and commodities are as tangible and valuable a benefit as a direct cash grant. Protective regulation is a form of protected access to a market. The most familiar examples are public utilities (an electric or natural gas company), but regulation is also applied to telephone companies and airlines. Protective regulation is a welfare benefit because some regulations virtually guarantee the utility an annual profit; an exclusive franchise to sell a product people believe they cannot live without implies that the company cannot help making money if only it prices its product at more than its anticipated costs, year by year. There are benefits to the public-at-large that result from protective regulation. When utility companies were first formed in the United States, many went bankrupt in the process of trying to meet the intense competition that emerged, and in some cases, the public had no service at all. One of the major justifications for protective regulation rests on preventing a repetition of that history. Airline deregulation, which allows virtually free competition among airlines, has resulted in a mixed bag of disadvantages and advantages: sometimes ultracheap fares but a worrisome reduction in service.

Finally, there is another benefit form that entails no transfer of money: the delegation of power over decisions. A typical example is the allocation of board of director positions to persons who are consumers of services or in some way are particularly well suited to represent consumers. This benefit encompasses the right to make decisions that serve the self-interests of the group with which the decision maker is affiliated. Of course, such a benefit is intended to benefit a group, not a particular individual. The issue of how much power is given in such instances and how much is necessary to make the benefit effective (what constitutes token representation and how much representation is required to constitute an effective bloc of power) will be discussed in Chapter 7 on service-delivery systems.
After considering all these various types and forms that government benefits and services can take as ways of responding to social problems, the reader should be mindful that governments don’t necessarily have to respond with a program to deal with a social problem. In fact, they often don’t respond at all! Politicians can make all sorts of responses to public concern about social problems. Sometimes they are simply the substitution of shadow with substance—window dressing hoping to pass for serious effort. A legislator or a public bureaucrat can express lots of indignation about the existence of a social problem, and propose or actually investigate same at almost no political cost whatsoever! It is not the point that legislative investigations or departmental research aren’t important, rather that in either case, it can represent a lack of will with respect to promoting actual solutions to problems if indignation, exhortation, and research aren’t followed by serious proposals.

Summary of Types\(^5\) of Benefits and Services

At least nine major forms of benefits and services are common in the U.S. social welfare system. They may be used singly or in combination; very often a single benefit may represent more than one benefit form. Whereas one form of benefit may appear to be obviously superior, the merit of any particular benefit form ultimately depends on the logic of its connection with details of the social problem analysis and the program or policy goal. The forms of benefit are summarized in Table 5.1.

<table>
<thead>
<tr>
<th>Benefit/Service</th>
<th>Definition</th>
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<tr>
<td>Material goods/commodities</td>
<td>Tangible benefits (e.g., food, shelter, clothing)</td>
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<tr>
<td>Cash</td>
<td>Negotiable currency, exchangeable without loss in value</td>
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<tr>
<td>Expert services</td>
<td>Skilled, knowledgeable performances by credentialed professionals</td>
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<tr>
<td>Positive discrimination</td>
<td>Benefits directed to protected groups to redress past inequities</td>
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<tr>
<td>Credits/vouchers</td>
<td>Prepayments or postpayments to purveyors of benefits and/or services. A credit can be used by a beneficiary only at purveyor(s) chosen by the organization providing the credit. A voucher can be used at purveyor(s) chosen by beneficiary.</td>
</tr>
<tr>
<td>Subsidies</td>
<td>Payments made to a third party (e.g., federal funds to private hospitals)</td>
</tr>
<tr>
<td>Government guarantees</td>
<td>Government promise to repay loan in event signatory defaults</td>
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<tr>
<td>Protective regulation</td>
<td>Grants of exclusive or near-exclusive right to a certain market as a result of lack of competition</td>
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<tr>
<td>Power over decisions</td>
<td>Right to make decisions that serve self-interests of a particular group with which decision maker is affiliated</td>
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Multiple and Interrelated Benefits

It would be a mistake to leave the reader with the conclusion that most social policies and social programs pursue their objectives through single benefit or service strategies. Although there are instances of that, it is not the general case, especially in relation to programs that intend to deal with the social problem of poverty. It is common for citizens to think of programs like Social Security or even unemployment security as providing only a single benefit, but in fact eligibility for one benefit form very often automatically qualifies a person for multiple benefits. The fact of interrelated benefit packages certainly makes the analysis of social policy with respect to benefit forms, in particular, a lively and complex venture. It is not surprising that programs and policies should have more than a single kind of benefit; after all, we have already seen that multiple goals or objectives are commonplace. Where that is the case and where such goals are diverse it would be expected that different benefit types and thus multiple benefits would occur. Lewis and Morrison found that multiple benefits can occur in two major forms: (1) benefits from one program can alter benefits in other programs and (2) program benefits can change personal tax liability.6

The U.S. Unemployment Insurance (UI) program is an example of a benefit that generates multiple benefits: eligible, involuntarily unemployed workers might receive both a cash payment, services from the state vocational and rehabilitation service, and referral to employers searching for workers. The purpose of rehabilitation services is to retrain the employee and to provide trained and ready-to-work employees for employers. Maintaining the stability of a large workforce for the economic enterprise of the country as well as for relief of unemployment is a goal of the UI program. The TANF program (Temporary Assistance to Needy Families) is another example of a highly complex package of benefits and services. It is difficult to elaborate because of interstate variation, but the list that follows characterizes the most general case: a cash benefit, a medical card, child support enforcement, special food allowance for infants and pregnant mothers, vocational training, family planning services, and so forth. Notice that elements in this benefit package are mostly compulsory: child support enforcement, job searches, and/or vocational training are compulsory. In the past, “benefits” were sometimes used punitively against clients: sterilization, family planning, and abortion. Furthermore, some program policies automatically disqualify a recipient from benefits from another program. We will discuss those complex examples in Chapter 9, which deals with program and policy interrelationships.

Criteria for Evaluating the Merit of Benefit and Service Types

Stigmatization, Cost-Effectiveness, Substitutability, Target Efficiency, and Trade-Offs

Whenever there is a benefit to be given in remedy of a specific tangible need, it can be given in the form of cash or it can be given it in the form of directly consumable articles (e.g., food or clothing). The question is: “Which form is best, why, and from what point
of view?” Almost all U.S. public benefits available in income maintenance programs could be given in kind. The issue touches on more than income-related benefits. Think for a moment about the delivery of medical care benefits and services. A cash approach would give dollars directly to families in need, that amount equivalent to whatever was the price of the necessary medical care. This benefit is most commonly given not in the form of cash, but in the form of a credit or voucher—a strategy that is more related to an in-kind benefit than a cash strategy.

Such examples serve to illustrate how the evaluation criteria apply to this general question. From the consumer’s point of view, the major difference is the degree to which a choice can be exercised with regard to the goods or services delivered—the evaluation criterion we earlier called consumer sovereignty. From the benefit giver’s point of view, the major difference is the ability to exercise control over the nature of the article and the way it is consumed—the evaluation criterion we earlier called target efficiency. If a family needs cheese and you give them $5 to buy it, the family can decide whom to buy it from, when to make the purchase, under what conditions, and at what price—an example of maximum consumer sovereignty. If you give the family a letter telling the cheese store to give the family $5 worth of cheddar and to add it to your bill, the choices that can be made by the family are thereby limited. But notice that from the point of view of the benefit giver (the person who is paying for the cheese), it may be important to restrict the choices. For example, the benefit giver may get a special price from the cheese dealer if a great deal of cheese is purchased this way and our cheese dealer can purchase more economically if he can count on volume sales. Not only that, the merchant knows that no advertising expense is incurred. Thus, the benefit giver is able to help more hungry people because cheese can be purchased for less in an in-kind, rather than a cash, benefit form. Under this condition (but only this condition), giving the benefit in an in-kind form satisfies the evaluation criterion of cost-effectiveness—the benefit is delivered at a cost that is effectively the lowest relative to the other available and practical forms and means of delivery.

Note that it is also true that the benefit goes directly for the specific social problem of concern—hunger. This is an example of the evaluation criterion called target efficiency, a virtue here because the efficiency involved makes it possible to benefit more hungry people. There is not much else to do with cheese except eat it, though a genuinely imaginative person might use it to catch mice, or sell it to a neighbor at a cut-rate price, or trade it for another commodity. And, of course, there is a well-known street trade in food stamps.

Here are the arguments against the preceding conclusions. With regard to the lower expense of in-kind benefits, they say, it is not entirely clear whether economies of scale work in a way that inevitably yields a lower unit cost than cash (and, thus, generate a cost-effective benefit form). A person can take the view that the only way to establish a true cost is through an exchange in a free market, even a cheese market. How can the benefit giver really know that the price charged by the cheese merchant was the best price on that day for that amount of cheese of that particular kind? Whereas the price quoted to the in-kind benefit giver may have been the best price the benefit giver could have obtained that day, suppose there was a cheese crisis the day following; if the family had cash with which to deal, they might have obtained twice as much cheese for half the price. On the other hand, the cheese merchant may have had bad luck selling his Swiss that week and would’ve sold twice as much to the family for half the price. (Of course, it
might also have worked in exactly the opposite direction.) The same argument raises an objection to an extension of social control via the purchase of cheese. The cost to the family is a lack of consumer autonomy, and that makes them even more dependent and less able to cope with the stresses of life. After all, this argument goes, independence and self-reliance are built on experience in such small matters as deciding whether to buy cheddar, Swiss, or mozzarella. Notice how important are the details, for it is on them that the ultimate conclusion depends.

Notice the trade-offs operating here between the various evaluation criteria. A trade-off occurs when the policy system has to suffer some disadvantage in order to get another advantage. In general, benefits delivered in the form of cash increase consumer sovereignty and reduce target efficiency. Another example of trade-offs is with regard to programs to reduce poverty. When such programs create low unemployment (a virtue), economists believe that they will invariably increase inflation (a vice) as more employed workers become consumers with money to spend. Although considered by economists to be a side effect—and certainly it is in the sense that it was not intended—it is undeniably an important effect on the lives of most people. But then it pays to notice that economists aren’t always right: In the 1994–1998 period of historically low unemployment rates, inflation did not appear as economists predicted.

Somewhat more serious is the argument that the price of in-kind benefits is stigmatization. When the consumption or acquisition of benefits is public, certain kinds of items become associated with “being on welfare,” and negative attributions are made to those so identified. Although someone seen eating a slice of cheddar cheese attracts little attention, it certainly is the case that disparaging comments are made to women who spend WIC vouchers in grocery stores (a mild form of in-kind benefit). According to Terkel, local welfare agencies bought certain kinds of shoes and dresses during the depression, and those who wore them were sure to inspire negative comments from others.7

Some of these objections to in-kind benefit forms do not apply in all instances; it is surely not the case that all noncash forms stigmatize recipients—not all consumption or delivery of the article or good is public. For example, one way to avoid public consumption or delivery of foodstuffs in a noncash form is to use a subsidy method that was common in England. If the U.S. government wished to increase the nutritional level of its low-income citizens, it could subsidize the price of a popular food to the point where it could become the least expensive, most nutritious food available (e.g., bread or milk products). The public treasury could subsidize the bakers or grocers, perhaps 40 cents a loaf; every month, those vendors would tote up how many loaves they sold and submit a bill to the public treasury. In return, they would agree to sell bread for half the former price, maybe 35 cents a loaf. Thus, the consumer gets bread at a reduction and the baker or grocer still makes a profit. Would the consumption of bread increase? Very likely. Would consumers be stigmatized for buying bread? Not very likely, because everyone pays the same price. Would the benefit go only to those who “really” need it? No, because there would be considerable “seepage” to those not in low-income brackets (again, a question about the target efficiency criterion). Would this form of the benefit be more cost-effective than cash? That question can be answered only through the empirical study of increased nutrition as a result of the increased use of the subsidized foodstuffs.
The increase in nutrition resulting from the cash-benefit strategy would also have to be studied and the net results of the two compared.

Note that the cost of achieving the nutritional goal is the cost of the subsidy for the foodstuffs actually bought by the poor; the cost of the destigmatization of the in-kind strategy is exactly the cost of subsidizing the foodstuffs bought by the nonpoor. Thus, in this case, the exact cost of the trade-off can be specified. Those who strongly support cash benefits argue that such a benefit form clearly has an advantage along the lines of ensuring consumer sovereignty by means of which receivers maintain control over when, what, and how things are bought. From the consumer's point of view, that autonomy is a major issue.

The Political and Public Administration Viewpoint

How does all this look from the benefit giver's view, the perspective of the legislature, and the public program manager? Politicians and bureaucrats have their own preferences for benefit forms, as well as evaluation criteria of their own. Linder and Peters think that one such is administrative complexity, for example.8

It's only natural to expect that public administrators will value a benefit form that is simple rather than complicated to administer. It would seem preferable to administer a fairly simple program delivering a partial cash subsidy to the elderly to pay part of their winter heating bill rather than administer an in-kind commodity program for the same purpose—one in which the benefit would be gas or oil or electricity (or cow chips for that matter), which the government owned and would deliver directly to consumers. Think of the problems of storage, delivery, services, and all the rest. A cash benefit places the responsibility on the beneficiary for obtaining the product needed and, thus, avoids the administrative complexities. Or consider a program that delivers services for severely mentally ill children. Such a program may involve such complexities as administering income or asset tests to a wide variety of income levels (e.g., to determine whether to charge for hospitalization); coordinating the program activities of a wide variety of professionals; facing high costs per case and treatment strategies of uncertain and sometimes controversial validity to consumers potentially capable of deviant and antisocial behavior. On the other hand, the public policy may choose to deliver this benefit in a form that simply subsidizes the costs of such services in the private sector by the consumer. In this case, the public administrator looks to the cost issues and struggles with determining whether charges are fair and whether services were actually delivered, but certainly that is less complex than taking responsibility for their actual delivery. The form taken by the benefit is determining here. Material, hard benefits are obviously simpler to administer than personal social services, which are often intangible and often controversial as to their effectiveness. It is quite likely that less complex practices also entail low administrative cost, another evaluation criterion of preference to public administrators and political figures who must account to the public in such matters.

Another evaluation criterion common to public administration and the political context is the extent of adaptability across different kinds of users. A subsidy (equivalent to cash) is obviously quite adaptable to different kinds of users: those who heat with gas
versus electricity; those who live in apartments versus their own homes; those who live in rural areas versus central cities. An in-kind benefit may not be so adaptable across the diverse users in those examples. Political risk is also an evaluation criterion in this context; for example, the level of public visibility of the benefit form may be an issue here. The cash-equivalent subsidy for the winter heating program for the low-income elderly is quite invisible in that such programs can be handled via the U.S. mail. Note, however, that even if benefit receipt were visible, in this case it might be a political advantage rather than a liability; the viewpoint in our society is that the low-income elderly are surely “deserving poor,” and that a politician who helps them projects the image of a social and moral conscience—good political images, no doubt. Contrast the level of political risk via the high public visibility of a program that generates benefits in the form of psychiatric services for severely mentally ill children. Because such children are capable of social deviance, they can be highly visible to a sensitive public and if the benefits (no matter how great or obvious the need for them) are delivered to a population group that is considered deviant, the political risk is high. It is widely believed among social historians that the popularity of mental institutions as a benefit form for the severely mentally ill or shelters for the homeless are, in the first instance, appealing to politicians and public administrators simply because such institutions effectively reduce the visibility to the public (hence the political risk) of the targeted social problem and the people who are subject to it.9

Finally, another evaluation criterion, potential for failure to reduce or soften the impact of the social problem, should attract the attention of the reader. There are few social programs that have an unmitigated record of success. New programs should actually be thought of as experimental ventures and should be proposed to decision makers as exactly that. Too many unkept promises, and too many disappointments on the part of those who fund programs create an enduring pessimism that will come to haunt social program providers in the future. This evaluation criterion points to that issue; surely, before politically astute legislators make a public commitment in support of a social program, they make calculations of their potential for failure. Those who seek funding should be prepared to make statements about the probability for success of their program design. Furthermore, they should also be prepared to make proposals as clear experiments on ideas that have no history. Experimental failures are not a moral mistake; program failures, for which success has been widely advertised, are immense political mistakes.

Criteria for Evaluating the Merit of Benefit Types:
Consumer Sovereignty, Coercion, and Intrusiveness

This section considers an evaluation criterion that is preferred by the authors/analysts: consumer sovereignty. One argument for its generally positive effects is that it allows for making choices—a strengths approach. The cash benefit expended contributes to the support of the general public economy in ways that in-kind benefits cannot. Cash benefits support ordinary businesses and ordinary employers and employees. In-kind benefits, if they are to achieve their major advantages of economy of scale and expense reduction, must enter a special market at the producer and wholesaler levels—certainly
not the same retail market corridor used by the ordinary citizen/consumer. Support of that market bypasses many free markets, and in a way, that costs jobs because employers will not need the employees that are created by the additional cash demand for goods and products. In the long run, this argument speaks to the appealing idea of creating more employment and more taxes paid by a mechanism that remains faithful to a cash market system; cash benefits ensure that “the consumer is king.” The point is that, in contrast to in-kind benefits, cash benefits have capacity for welfare-expenditure reductions just because when welfare recipients spend welfare dollars, those dollars create some employment while in-kind benefits do not. One wouldn’t expect that free-market advocates would prefer a welfare benefit form that takes welfare beneficiaries out of the free market in the ways outlined before. Radical free-marketeers often find in-kind benefits attractive on the view that in-kind benefits are socially stigmatizing and, thus, make welfare unattractive.

Still there are those who seriously advocate for in-kind benefits. Alva Myrdal, the 1983 Nobel Prize winner in economics, is an example. Most of the arguments discussed before can be read in greater detail in her work.10 However, Myrdal makes two other points we have not covered previously and are worth noting because they concern cogent arguments about their limitations. The first is that the issue of consumer choice is not very relevant when it comes to benefits targeted primarily toward children; children seldom exercise much consumer choice in poor families. The second is that in-kind benefits cannot be seriously preferred where family income is not adequate in the first place. In the last analysis, Myrdal comes out for restricting in-kind benefits to secondary needs, nonbasic food, shelter, and clothing. With that view, then, it would seem that the kinds of benefits Myrdal really advocates as appropriate for in-kind forms are items such as medical care, education, perhaps clothing, and surely expert services.

The issue of substitutability of goods, also important to Myrdal, refers to the possibility that a public policy or program the intent of which is to increase food purchases, for example, may not do so because more food is not purchased. Instead, the family uses food stamps to purchase the same amount of food they would have bought ordinarily; the money released by the availability of food stamps can then be used to buy other commodities of choice; the net gain, then, is not necessarily in food items. For example, the socially conforming family may use the extra purchasing power to buy books or more vegetables for the children. The less socially conforming may use it to buy illegal drugs, clothes, or a good time. Substitutability is an important idea because it shows how the in-kind benefit, when it concerns items that are vitally necessary for survival, may not always be an effective way of controlling the consumption pattern, amount, or kind of benefit received. The same argument might be made with respect to the provision of vouchers for medical care, physician prescriptions, and credit for child care or work clothing, for example. Substitutability is probably a criterion that has wide relevance to the evaluation of the merit of benefit forms, whatever those benefit forms might be.

Consumer sovereignty is a virtue because it works against coerciveness and intrusiveness of government in the lives and private affairs of citizen-recipients of public benefits. Coerciveness and intrusiveness into private lives should be conceded as an important criteria for evaluating benefit and service types. It is important for readers to remember that intrusiveness into private affairs can violate a citizen’s right to privacy—which itself
derives from constitutional provisions. Being a recipient of public benefits doesn’t change that. Obviously, some types of benefits and services are worse offenders than others in this respect. The greatest potential for this offense is when beneficiaries are dependent on public benefits for their very physical survival. That would direct us to means-tested programs like TANF, food stamps, or SSI for the disabled or aged. Their means tests must be repeated at intervals in order for the program administrators to carry out their responsibility to see that beneficiaries are still actually eligible: for example, beneficiaries may be living a shared life with a household member who is working and earning but not be reporting it as household income. Notice that reporting it requires revelation of the beneficiaries’ personal relationships, where that would ordinarily be considered “private affairs” were the person not a welfare beneficiary. One of the reasons means tests are objectionable is that they cannot easily avoid this kind of intrusiveness. But notice in contrast programs like Social Security Retirement and Disability, which are usually means tested but only at the level of individuals, not households. No need there to be concerned about who else is sharing a household, a bed, or an income as in TANF or food stamps.

AFDC, in particular, had a history of notorious intrusiveness. The best example is the public welfare staff/county prosecutor “night-riders” in Newburgh, New York, who routinely stationed themselves outside recipients’ dwellings after dark to see who came and went. It was a county-administered program at that time and the local policy concerned what was called the “man-in-the-house” rule: Any recipient who had a “man-in-the-house” (anytime after dark presumably) lost her benefits (illegally as it turned out). The point is that the eligibility rule has to do with who shares a household income, not with who sleeps together. Besides being a violation of citizens’ privacy rights, knowing that there was a “man in the house” doesn’t necessarily tell you anything about household income sharing, though recipients were disentitled just on that basis. The reader shouldn’t conclude that this is an argument against administrative rules; rather, it is an argument about how such rules should be applied with due respect for their legality. And it is advice to practitioners to be alert to abuses of that kind.

Of course, the reader must realize that there are social programs whose very nature it is to intrude into private affairs, the obvious example being families whose children are being severely physically abused. Notice that the issue there is social control but of a kind that is legally sanctioned. Although that cannot justify just any kind of intrusion or coercion, it is an important distinction because when the intrusion has occurred by court order, it also means there is a way ofremedying abuses through the court system and the legally required defense attorney. In contrast, administrative, extrajudicial coercion, and privacy intrusions occur buried in organizational privacy, without clear and ready remedies.

Criteria for Evaluating the Fit of the Benefit/Service Type to the Social Problem Analysis

Whatever the type of benefit, the basic question is whether it fits the social problem analysis, that is, fits compatibly with the definition of the problem. One way to approach this question of fit is to look at what the problem definition implies as the most prominent
needs of the people who have the problem and ask whether the benefit the program delivers is relevant to any of them. If it is not, then the benefits are clearly off target and irrelevant to the social problem. They may even be desirable yet not a relevant benefit. Think of an after-school recreational program for children who are disruptive in classrooms. As desirable as this recreational program might be (perhaps it provides after-school hours supervision for working parents when no adult is at home), if the program cannot make a case for some linkage with classroom behavior, then the program fails the fitness test. Notice that you might create a fit by a design for the recreational program that tailors itself to outcomes that are relevant to decreasing disruptive classroom behavior in some way. That is, of course, exactly the point: If the tailoring is strong, the program activities would likely be much more specific than just simply “recreational”—recall that the definition of recreation is “doing what you want, when you want.”

The policy and program analyst should also look at the social problem theory and, in particular, its derivative—the social program theory. Note that program theory will specify some set of factors as a preferred outcome and describe how to set in motion a chain of events (or processes) to obtain just that outcome. The benefit/service type must be one of those events, causal antecedents likely to set this chain of events in motion. And there must be a plausible and logical argument as to why this benefit would be expected to have that result. That is what “fit of the benefit/service type” is all about. If that argument is not there, then there is no fit.

There are some historical examples of bad consequences as a result of this lack of fit with the social problem analysis. In the 1970s, federal payments to states for foster home care were raised to 100 percent of state costs. There was an entirely innocent motive on the part of the U.S. Congress: States complained that they didn’t have funds to provide all the foster home care they needed to protect children from abuse and neglect. The legislation and the federal dollars appropriated made cost-free foster home care available to states. The benefit/service was a bad fit to the social problem of concern. The social problem wasn’t just the lack of foster home care—couldn’t be, since foster home care is never more than a means to some other end. In this case the “bad thing” that identifies the social problem was the neglect and abuse of children. Clearly, foster care protects children from immediate harm, but it doesn’t by itself change anything for next year or the year after that. As it happened, within the year, there were massive increases in the numbers of children removed from their homes and placed in public foster home care facilities. It would appear that cost-free foster care created large-scale overuse of this service. Not only that, many believe that cost-free foster home care funding was a major factor in children continuing in long-term foster care, “stuck” there for interminable periods. That phenomenon came to be called foster care drift, a phrase referring to children who neither return to their own homes nor are placed in permanent adoption. Foster care drift has bad consequences: Many children in foster care for long periods literally lose their place in families since families are living, organic things, changing with age/stage development of their members and adapting to the surrounding social and economic circumstances. The program of cost-free foster home care actually created a whole new social problem—foster care drift—an outcome that should be kept in mind when initiating new social programs.

It is a great temptation for legislators, policy makers, and social practitioners alike to believe that a personal social service can (somehow) substitute for a necessary
material need. It is almost always a mistake to believe that job training can provide a livelihood when the economy itself is not at that moment providing jobs for that particular person, to believe that various "counselings" can help a mother find a way to deal with an aggressive child acting out when she has to work two jobs and twelve hours a day in order to feed and provide shelter for her family. That is not to say that personal social services are never effective, only to say that they can only be effective for people who are at least minimally fed, housed, and clothed. It would seem to be obvious, but the history of the provision of social welfare benefits in the United States shows that important and very costly mistakes can be made in that regard. In legislating the 1962 amendments to the Social Security Act, social workers and other human service proponents convinced Congress that personal social services should be institutionalized as a major strategy against the problem of poverty. It wasn't exactly a new idea—the emergency relief legislation of the depression era in the early 1930s had provided for special units of social workers to be available for difficult cases on an individualistic basis to those who were poor and/or had personal problems. Prior to that time, private charitable agencies as far back as the Charity Organization Societies of the mid-1800s included social workers as part of a system to tailor cash assistance to individual characteristics and to plan and implement service and benefit delivery. In its 1962 amendments, the Social Security Act provided the first federal statutory instance in the United States for the general provision of personal social services to families on relief. According to Morris, at the same time Congress increased the federal dollar match (to state funds) to 75 percent for this purpose as if to underscore their commitment to the "rehabilitation" of the poor via personal social services.12 This effectively put into practice the idea that services were an inextricable part, if not the major strategy, for a solution to the problem of poverty. The social problem viewpoint was that the cause of poverty was an interaction between lack of material resources and some personal attribute (attitude, cultural approach to work) and was amenable to change by a service strategy: family, group, and individual counseling; job and parent training; referral agencies; and service coordination, which avoided duplication of services. Indeed, the very name of the federal agency responsible for basic income maintenance programs (e.g., AFDC) was changed to the Family Service Administration.13

Congress was convinced to increase appropriations by hundreds of millions of dollars for services and the training of personal social service workers on behalf of those ideas. Federal expenditures for personal social services increased from $194 million in 1963 to a billion and a half dollars by 1972.14 Not surprisingly, services weren't successful in reducing poverty. The money was directed at what was perceived to be the shortcomings of individuals rather than the shortcomings of the economic system. The mistake was to think that these services could somehow substitute for the problems of an economy that created most of the poverty in the first place.

Here is an instance of a social problem analysis shown by subsequent events to be dead wrong and it reveals, on the one hand, the limitations of the criterion of fit with the social problem analysis. On the other hand, it shows how important it is to remake the social problem analysis when that is the case. An obvious alternative hypothesis is that the social problem is caused by external and environmental, not only personal, attributes. The best training, education, and job referral systems cannot make up for a bad job mar-
ket or low earnings combined with (for example) high child care and transportation costs. The English historian Barbara Wootten puts it this way: “It is always easier to put up a clinic than tear down a slum . . . we prefer today to analyze the infected individual rather than . . . the infection from the environment.”

But it isn’t that difficult to take all this history into account and then recreate a social problem analysis based on a broader economic and social system viewpoint. If one did, the implication would be reasonably clear that the most obvious cause of poverty is lack of money and the most obvious remedy is via material benefits: cash and/or adequately paid, full-time jobs. History shows that such jobs can be increased by a wide range of governmental public policies including (but not limited to) the following:

- “Trickle-down” policies that give tax cuts to employers and investors to invest in new industrial plants and equipment to create new jobs (very slow in producing effects and with sizable benefits to the wealthy)
- Governmental policies to place new orders to private business for military equipment, roads, bridges, and hydroelectric power dams in employment-distressed regions (quicker effects for the middle class but expensive and controversially cost-effective for the poor)
- Projects directly administered by the federal and state government to construct public buildings, roads and bridges, and national park facilities like the Works Progress Administration (WPA) and the Tennessee Valley Authority (TVA) during the 1930s’ depression (quickest for the poor but controversially cost-effective for the product produced and politically very controversial in the United States, though not in Europe)

And, of course, there is an incident in world history that, although not so intended, dramatically demonstrates the effectiveness of public policy remedying poverty by hard benefits like money or food or the access to opportunity for the ordinary jobs that produce income. In the 1800s, Great Britain, stubbornly ignoring the relationship among crime, poverty, and general economic distress, decided to solve its problem of an immense overload of civil prisoners by shipping them off to their colonies in Australia and New Zealand—out of sight, out of mind, out of trouble. No one believed that these colonial societies would be successful. As hindsight shows, not only did that happen but successful modern social and economic structures were built on a populace of convicted criminals. The desire to work and the ability to compete and survive are shown by this example not to have been lacking in the convict society. The economic and social development of these countries is the premier example of the importance of having available sufficient economic opportunity created by public social utilities (when the private sector cannot provide it). Given abundant land made available by explicit public policy in the form of subsidies, land grants, transportation, and settlement, a society made up of convicted criminals created a hardworking, ordered, socially conforming, and economically productive life. The mistake in the British approach to its social problem of crime was an ideological error in the British understanding of the problem of criminal behavior—the problem was thought to be totally about moral lack, not of economic opportunity. However, when given a labor market that provided opportunity, these early Australian
and New Zealand settlers took advantage of its benefits and turned them to their own self-interest. Personal social services were not required. One might say that the lesson to be learned from this history is that it takes very dramatic, hard-benefit–oriented mechanisms (jobs and money) to produce a major impact on serious national poverty and crime and no personal social service strategy—training, rehabilitation, job search sophistication, however well financed or conceived—can substitute for it. Will there be some who don’t work however many jobs are available? Of course there will be, because no social program or policy is ever perfect.

Criteria for Evaluating the Merit of Benefit Forms: Adequacy, Equity, and Efficiency

We have already considered adequacy and efficiency in the earlier section on the fit of the benefit form with the social problem analysis. But there are moments when equity has a special relevance to the choice of benefit type. Educational vouchers, it turns out, provide a good example. Here is the argument. Suppose that instead of providing neighborhood schools for children, a school district decides to issue educational vouchers. When presented to a private school, the school district will guarantee payment of a child’s tuition costs from tax funds. Commonly, educational vouchers pay tuition costs up to the dollar per pupil costs in the local school district—some places that could amount to, say, $5,000 per year per child, not an insignificant sum of money. Those who object to this form of educational benefit argue that for most private schools, the tuition is always more than the voucher will provide, so that only those families with greater-than-average income who can make up the difference can take advantage of them. And, if a significant number of parents choose vouchers and private schools, the number of citizens who support public schools will not only diminish but also actively oppose their improvement since they are paying double educational costs. Indeed, with less pupils, per pupil costs rise, and at some point, these cost increases mean less will be provided for public school students. Some voucher opponents argue that ultimately vouchers mean that public schools are only for those of less-than-average income and will not have enough support from taxpayers to avoid serious deterioration in teaching staff and curriculum offerings, not to mention buildings and facilities.

That is, of course, a consequence that is seriously inequitable because it falls primarily on low-income citizens who are least able to accommodate to it. The issue here is not that vouchers are inevitably inequitable, only that where it creates inequities, the voucher policy design must have features that eliminate it. Vouchers can have some important positive qualities, particularly the increase in what we have earlier called consumer sovereignty—parents can exercise free choice over what kind of school their children attend. The trade-off here is between that free choice and the inequity in the form of lower-class schooling it visits on children who remain in public schools. There are a number of ways of reducing the inequity. Most of the solutions turn on different ways of equalizing educational costs so that all parents have the opportunity to send their children to private schools: for example, private schools could be prevented from charging more than the local district per pupil costs, the school district could subsidize...
private schools at a higher rate than their own per pupil cost, and so on. Note that all the previous discussion avoids other important issues in public payments to private schools, notably the issue of church-state separation.

**Summary**

Nine types of benefits and services were presented for use in the analysis of social programs and policy provisions: cash, material goods and commodities, expert services, positive discrimination, credits/vouchers, market/wholesale subsidies, government loan guarantees, protective regulation, and power over decisions. Criteria for evaluating the merit of benefits and services were presented: fit with the social problem analysis, fit with the program design, potential for stigmatization, target efficiency, cost-effectiveness, consumer sovereignty, substitutability, and trade-offs, among others. Interrelationships between benefits and benefit packages accruing from more than a single program will be the sole concern in a subsequent chapter of this book.

**EXERCISES**

1. Review the exercises in Chapter 4. Now think of a way the government could provide emergency substitute care for children without a government agency recruiting and selecting foster homes.

2. Write a paragraph expressing some conclusions you have drawn about whether the alternative benefit forms you have proposed in answering Exercise 1 do better or worse on the four evaluation criteria for forms of benefit discussed in the chapter.

**NOTES**


2. Of course, the U.S. Medicare system had reached that point by 1990 and now finances hospitalization under a diagnosis-related group (DRG) system in which the same (average cost) payment is made for patients whose diagnosed medical conditions lie in the same DRG.

3. Of course, sometimes the U.S. government has worked out agricultural subsidies in ways that require direct federal ownership and handling of grain: for example, there have been times when the federal government would actively take ownership of wheat, corn, rice, and soybeans and store them for years in their own granaries located across the country. They would do this as a way of artificially creating low supply (acting to “corner the market” and, thus, control prices), so as to increase demand and, therefore, increase prices paid to farmers for what grain they either retained or grew next year. That is still a market subsidy because its purpose is directed toward producers, not consumers. This is only a different mechanism for working it out.


different and more abstract classification of benefit forms: social amenities (what here were called public social utilities), investment in human capital, welfare transfers, rehabilitation, participation (of the poor), and aggregative and selective economic measures. Whereas Rein calls these benefit “strategies,” ultimately that is what Table 5.1 amounts to. Rein’s list is useful but in the list presented here the benefit forms are more mutually exclusive and concretely descriptive of exactly what the benefit is.

13. Ibid., p. 121.