WELFARE IN AMERICAN SOCIETY:
HISTORY OF ITS DEVELOPMENT, REASONS FOR ITS INADEQUACY,
AND SUGGESTIONS FOR IMPROVEMENTS

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What did the framers of the Constitution intend when they included the General Welfare Clause in Article I, Section 8 of the Constitution? Many people cite that clause as legal justification for America's ever-expanding federal entitlement spending. To the contrary, James Madison made clear in his writings that he did not think any language in the Constitution, which he helped frame, authorized unrestrained growth in a central government.

During the years since Madison explained the intent behind the General Welfare Clause, proponents of the welfare state have either ignored or rejected his insistence that the Constitution stands as a guarantee against an over powerful federal government. Instead, many now claim that the Constitution is a "living document" that supports the growth of a centralized power.

A growing percentage of the American people have adopted this fundamental shift away from the perception that the Constitution limits the role of the federal government. This burgeoning segment of the population has embraced a mindset in which the government functions, not only to protect but also to provide property rights by means of entitlement programs. Many Americans have come to expect the
federal government to ensure that their pursuits of happiness, or even their lack of effort, will result in a base line of positive outcomes.

While many Americans believe welfare initiatives are programs designed to move families out of poverty, such is not the case. If the surge of federal welfare initiatives that have been introduced since the 1930’s had been designed to end poverty, the nation should have experienced declining poverty rates and then declining bureaucratic budgets required to combat the weakened enemy of financial hardship. Instead, analysts predict that, unless entitlement programs are reformed or eliminated, federal welfare spending could consume nearly half of the nation's GDP within the next half century.

This paper will a.) analyze the original intent of the General Welfare Clause of the Constitution, b.) trace the evolution of Constitutional construction away from that original intent, and c.) examine the federal entitlement programs that sprang from a liberal interpretation of the clause, and d.) prescribe changes to improve the sustainability of the federal welfare system. In light of this exploration, the legitimacy of the following proposition will emerge: Although many call for a fundamental change in American society aimed towards the improvement in our entitlement initiatives, what is needed, instead, is a change back to the fundamental principals of the American founding.

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Introduction

The most radical and world changing propositions among those embedded in founding documents of the United States were the values of personal freedom and economic liberty. "The novelty of the undertaking immediately strikes us" (Hamilton, et al 2003). This assertion, made by James Madison in Federalist Paper No. 37 concerning the proposed adoption of the United States Constitution, proved to be an understatement. With remarkable clarity, the founders foresaw the positive results that would flow from the innovative document they adopted.

An in-depth exploration of these theoretical underpinnings of the United States reveals that brilliant thinkers, who had the prescience to adopt these unproven and somewhat counterintuitive ideals, were responsible for founding a nation that has produced the highest standard of living for the most people in the history of the world. Incremental deviations from these founding principles in recent decades, however, have produced an economic system that is more centrally managed than was originally intended and that threatens the fiscal future of the nation.

Standing on the shoulders of the philosophical giants John Locke and Adam Smith, the founders of the United States determined that the appropriate role of government was to establish institutions that protect the rights of individuals in their lives, liberty and property. The founders’ philosophy of government combined principles of classical liberalism and capitalism, which suggest that all members of society will prosper when individuals are inspired to innovate, work hard, and exercise morality. America’s founding fathers believed people must be allowed to
"rise and sink" economically based on their own industry. Although America has
maintained a degree of this archetype throughout its history, modern political leaders
increasingly respond to the financial challenges citizens face by insisting on federal
government intervention. Through regulation and taxation, the federal government
now seeks to redistribute and equalize wealth via entitlement programs.

Many people maintain that the Constitution provides justification for
entitlement spending in the General Welfare Clause of Article I, Section 8. Although
many modern scholars and politicians have interpreted the General Welfare Clause to
authorize broad grants of power not otherwise enumerated in the Constitution, the
father of the document, James Madison, made clear that he intended for the
Constitution to establish and maintain a federal government with limited powers.
Madison maintained that the General Welfare Clause was never meant to grant
additional powers to the federal government, and that it was included merely as an
introduction to the enumerated powers concerning the common defense and the
general welfare (Bugler 1994).

During the years since Madison explained the intent behind the General
Welfare Clause, however, many people have either ignored or rejected his insistence
that the Constitution stands as a guarantee against an ever-expanding federal
government. Instead, many now claim that the Constitution is a "living document"
that supports the growth of a centralized power. Those who support this line of
thinking have replaced Madison's narrow interpretation of the General Welfare
Clause with a liberal reading that grants the federal government the ability to do most
anything it deems necessary to equalize outcomes in the lives of every American.

A growing percentage of the American people have adopted this fundamental shift away from the perception that the Constitution limits the role of the federal government. This segment of the population embraces a mindset in which the government functions, not only to protect but also to provide property rights by means of entitlement programs. These people have come to expect that the federal government will go well beyond protecting their right to pursue happiness however they choose; they now believe that Washington will ensure that a base line of positive outcomes will result from their pursuits or even from their lack of effort.

For this reason, the United States is losing the distinction of being "The Land of Opportunity," where the poor have reasons to hope they can rise economically based on their efforts to achieve and the rich have incentives to imagine what they still might gain and what they might lose if they fail to be industrious. Without hope of betterment through effort and fear of loss through indolence, the fundamental character of this nation's populous is changed from that of its founding, and the "American dream" is lost.

Federal welfare programs do not provide this type of hope or fear. While many Americans believe welfare initiatives are programs designed to move families out of poverty, such is not the case. It is more accurate to assert that the majority of welfare initiatives are designed to do nothing more than create a politically acceptable standard of living for the poor (Garkovich 1997).
Despite widespread agreement that the various entitlement programs are flawed in many regards, each of the stakeholders in these programs garner the political strength necessary to sustain the antipoverty framework as a mainstay in American social policy (Germany). If the surge of federal welfare initiatives that have been introduced since the 1930’s had been successful, the nation should have experienced declining poverty rates and then declining bureaucratic budgets required to combat the weakened enemy of financial hardship. Instead, analysts predict that, unless entitlement programs are reformed or eliminated, federal welfare spending could consume nearly half of the nation's GDP by 2055 (http://www.heritage.org/budgetchartbook/entitlements-consume-economy).

This paper will a.) analyze the original intent of the General Welfare Clause of the Constitution, b.) trace the evolution of Constitutional construction away from that original intent, c.) examine the federal entitlement programs that sprang from a liberal interpretation of the clause, and d.) prescribe changes to improve the sustainability of the federal welfare system. In light of this exploration, the legitimacy of the following proposition will emerge: Although many people call for the expansion of federal entitlement programs, the welfare state is incompatible with the fundamental principles of America’s founding.

Founding American Principles

The federal government has grown so large that its modern framework bears little resemblance to the limited form it took at the time of the nation’s founding. A
review of the original intent of American government is, therefore, required to reveal that the welfare state is antithetical to their ideal government and to expose that modern entitlement programs are incompatible with the fundamental principals of personal freedom and economic liberty.

The founders spent a great deal of time exploring the fundamental reason that men form civil government. Moreover, they carefully considered all possible ramifications of the various political philosophies they studied because they understood the profound nature of what they set out to accomplish. In The Federalist Papers No. 1, Alexander Hamilton wrote: "It had been...reserved for this country...to decide the important question, whether societies of men are really capable or not of establishing good government from reflection and choice or whether they are forever destined to depend for their political constitutions on accident and force" (Hamilton, et al 2003). Although the final product that emerged as the Constitution was an amalgam of political philosophies, and although the ideas contained in the documents set forth at the time of the founding contained seemingly counterintuitive notions, the outcome was an affirmative answer to Hamilton's question.

In order to establish a government that was sufficiently powerful to maintain a vast territory while, at the same time, adequately unrestrictive to maximize the rights of citizens, the founders were forced to find an appropriate balance between government authority and personal freedom. A resolution to this tension was of utmost importance to the founders because they recognized that the security of
individual rights should be the primary purpose of government. Drawing wisdom from the philosophies of John Locke’s view that men are born equal and independent (Bloom 1992), the founders of the United States Constitution agreed that the primary reason men form social contracts is to preserve their property, life, and liberty. While Locke theorized that individuals are free to pursue these goals without the intervention of government, he recognized that the formation of social contracts lessens the threat posed by men who might seek to deprive others of their property, life, and liberty (Locke 1980). In accepting Locke’s view of why men consent to be governed, the framers recognized that men relinquish some of their individual freedoms in hopes of eliminating their fears and ensuring the mutual preservation of their lives, liberties, and estates. Modern politicians have been successful in convincing a large portion of American voters that it is the government's role not only to preserve these ideals but also to provide them in situations where individuals are unwilling or unable to do so themselves.

The framers of the United States Constitution, on the other hand, understood that legitimate government is twice limited: First by its ends, to secure our rights; and second by its means, the consent of the people (Samples 2002). Most importantly, the founders realized that government is not the source of the people’s rights. Because they studied and accepted Locke’s assertion that rights are granted uniformly to all people by the Creator, they maintained that no government order could supersede them (Bloom 1992). The founders recognized that the same government established to protect rights had the potential also to do one of two things: (1) Institute laws to
hinder the individual's enjoyment of God-given rights or (2) Institute policies that promote the idea that individual rights come from government rather than the Creator. They knew that if the latter happened, people would come to rely on the government to provide services outside the scope of its Constitutional authority.

A review of the writings and political actions of James Madison, the father of the Constitution, reveals that either of these actions would be an abuse of the powers granted through the document. As evidenced by his academic endeavors, his published and personal writings, and his political activities, Madison foresaw that a liberal interpretation of the General Welfare Clause is incompatible with the system of limited government established by the Constitution.

A great deal of insight as to why Madison would consider this perspective to be erroneous can be gained by studying his writings in *The Federalist Papers*. In an effort to convince New York to vote for ratification of the Constitution, Alexander Hamilton, John Jay, and James Madison published this series of editorials in the *New York Independent Journal* from October 1787 to April 1789 (Belt). He wrote many of these papers to extol the benefits of the new system of government created by the Constitution. Although this document set up a stronger national government than that created by the Articles of Confederation, Madison is remembered as an ardent supporter of limited government.

The truth of this apparent ambiguity is that, at the time the Constitution and *The Federalist Papers* were composed, Madison saw the republican form of
government as the only safeguard from the factitious and capricious nature of the constituents. Moreover, the divided sovereignty of state and federal governments, which Madison outlines in Federalist 39, served to challenge inappropriate growth of either level. He writes that, "In its foundation, it is federal, not national; in the sources from which the ordinary powers of government are drawn, it is partly federal and partly national; and, finally in the authoritative mode of introducing amendments, it is neither wholly federal nor wholly national" (Hamilton et. al 2003).

In Federalist 44, 45, 46, and 51, he goes on to explain the specific roles of both the state and federal governments and he explains that institutional mechanisms put in place by the Constitution which ensures that authority at each level is checked. Importantly, in Federalist 45, Madison assured the skeptical Anti-Federalists that the Constitution would only give the central government powers that were "few and defined" while those granted to the state governments were "numerous and infinite." The state government could serve as a partner to execute federal legislation, but the federal government would not execute state policies. In this way, the government would be charged with the duty to control the governed as well as to control itself (Hamilton et. al 2003).

Also in the Federalist Paper, Madison submitted an assertion that the Constitutional system would provide institutions capable of alleviating the problems caused by factions in society in Federalist 10. In his discourse, Madison first explores the causes of the malady: there was abundant diversity in the new nation at the time
of its founding. This heterogeneity, Madison knew, would invariably result in competing religious, moral, political, and cultural attachments. Furthermore, Madison recognized that these passions would always be unequally supported by citizens and that the pursuit of happiness for some would inherently run contrary to the rights and happiness of others. (Hamilton, et al 2003).

Once again revealing the influence that John Locke's theories had on the design of the American governmental system, Madison identifies the most significant cause of faction as economic inequality (Hamilton, et al 2003). Although, as explained previously, Locke's paradigm was revolutionary in that it recognized men as equally endowed with rights in the state of nature, he explained how the freedom to express talents and qualities would inevitably divide into classes, sects, and parties or, in Madison's terms, factions. Because justice in Locke's world view allowed for men to accumulate as much as they contributed their labor towards, and because reasonable men would toil in varying degrees depending on their desire for profits, an unequal distribution of outcome would naturally arise. Moreover, Locke explained that the coinage of money defied the natural restraint of spoilage. By agreeing to its use, men tacitly agree to economic inequality (Locke 1980).

Because the founding fathers and Locke agreed that the differences in economic well being were the primary cause of social unrest and faction, they shared the opinion that the fundamental purposes of government are to liberate and maintain the market and to secure the property rights of individuals. Madison explores the two
alternatives to curing the cause of these divisions in society: Either the public institutions should be organized in such a way as to remove the causes of differences in society or those institutions should aim to control the results that arise from these differences. Further dissecting the possible remedies for faction, Madison explains that there are two means by which the government can remove the causes of faction: The governmental system may destroy individual liberty, which, in the opinion of the author, is a remedy worse than the disease, or the government may employ various schemes to instill the same opinions, and passions into each citizen. This is not only impractical but runs counter to the founder's vision for the fundamental purpose of government, that is, to secure the rights and liberty of the people (Hamilton, et al 2003). While Madison found neither of these options to be an ideal solution to the problem of faction in a community, it seems that an equalization of economic welfare has become a much more tolerable notion to modern Americans.

The founders agreed with Locke that the common good to which the government should direct society is justice and fairness for rational and industrious men (Bloom 1992). These maxims outlined by Locke a century before the American founding were reinforced by an economic philosophy that emerged just a decade prior to the Constitutional debates. Published in 1776, Adam Smith's *Wealth of Nations* introduced the concept of "economic individualism," which later became known as the economic system of capitalism (Hessen). Echoing Locke's notions of individual liberty and productivity, Smith presented a "system of natural liberty" in which "every man, as long as he does not violate the laws of justice, is left perfectly free to
pursue his own interests his own way and to bring both his industry and capital into
competition with those of other men" (Ebeling 1990). The founders rejected, in turn,
the notion that the government should provide a guarantee of positive outcomes from
these pursuits.

Just as Madison considered what would be required to remove faction in a
general sense, Alexis de Tocqueville, an observer of American culture, studied the
social scene of the United States in his work Democracy in America and commented
on the culture that would likely develop if an equality of outcome had been chosen as
the end of American government. He theorized that “[t]he evils which extreme
equality may produce are slowly disclosed; they creep gradually into the social frame;
they are seen only at intervals; and at the moment at which they became most violent,
habit already causes them no longer to be felt” (Tocqueville 1956). The evil he
describes that is produced by economic equality is the loss of motivation to better
one’s condition. The founders of the United States knew, largely due to their studies
of the philosophies of John Locke and Adam Smith, that social inequality had the
potential to produce greater prosperity.

The founders agreed with Smith's assertion that, when the actions of self-
interested men are aggregated, with each working towards the achievement of
individual goals, society as a whole achieves the common good (Friedman 1980).
Importantly, in addition to being well acquainted with Smith's The Wealth of Nations,
it is probably that the founders were well read with respect to Smith's lesser-known
work, Theory of Moral Sentiments. In this text, the "father of economics" sets forth
the theory that man's desire to help others stems, in part, from the motivation of self-interest. Specifically, Smith asserts, "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it" (Smith 1759).

With great craftsmanship and remarkable prudence the founding fathers were able to design a governmental system that combined the philosophies of economic liberty as well as concern for the least in society. To refer again to Madison's comments regarding human nature in Federalist Paper No. 56, he concedes that, "...there are other qualities in human nature which justify a certain portion of esteem and confidence. Republican government presupposes the existence of these qualities in a higher degree than any other form" (Hamilton, et al 2003). In simple terms, Madison says that while the nation is built on liberty, and allows for the pursuit of self-interest, the success of the nation depends on the selflessness of citizens as well. Relaying Madison's thoughts to the choice made by the founding fathers to institute an economic system primarily driven by individual liberty or by governmental intervention, scholars must admire the cunning of these men who were able to stand confident in their decision to institute a limited government and to rely on the interplay between selfishness and self-sacrifice that reconciles capitalist economies with the need to care for the less fortunate in society as well.
James Madison and the General Welfare Clause

Because the founders' intent was that competition, entrepreneurship, and industriousness would drive American commerce and that moral men in society would provide assistance to those who experience hardship, it was both unnecessary and undesirable for the government to centrally manage the economy. In modern-day America, however, politicians have interpreted the General Welfare Clause, which can be found in Article 1, Section 8 and the Preamble to the Constitution, in such a way that it expands the role of the federal government and enables it to tax and spend for the purpose of directing economic affairs towards a more equitable outcome than that which might result from a purely *laissez faire* economy.

Because Madison was among the most admired of his contemporaries for his ability to anticipate contingencies and to understand long-range implications of the government system he helped erect (Felzenberg 2001), his views concerning the meaning of the General Welfare Clause are particularly important. Madison often noted that the General Welfare Clause must be understood in its proper context before the true meaning of the Constitution can be grasped (Sorenson 1992). He observed that the relationship between this clause and the enumerated powers of the federal government is one of the most important and fundamental concepts underlying the American republic. He answered all questions regarding the effect of the General Welfare Clause by explaining that it is a "synonym" for the enumeration of few and defined powers, not a substantive grant of power beyond those listed (Sorenson 1992). Moreover, he explained that, if the latter interpretation of the clause was
correct, the enumeration of specific powers in a subsequent section of the same
document would be superfluous (Grossman 2009).

If, as the father of the Constitution, Madison intended to grant vast authority
to the federal government towards the achievement of the general welfare of each
person living in America, it is doubtful that he would have taken such care to
differentiate between the infinitive phrases used in the Preamble to the Constitution,
which explains the purpose for and aim of that document: "to provide for the common
defense" versus "to promote the general welfare." Madison recognized that the federal
government should be commissioned with the responsibility of protecting and
defending citizens, but the phrasing of the Preamble’s General Welfare Clause
indicates that he believed the federal government should simply encourage or help
create an atmosphere where citizens can secure their own general welfare. The
careful wording of the Preamble helps illuminate every other provision of the
Constitution.

It is necessary, therefore, to read the Taxing and Spending Clause of Article I,
Section 8 of the Constitution in light of the Preamble. Specifically, the grant of
authority to tax and spend reads as follows:

The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States. (Emphasis added. Constitution of the United States 1787)

In reliance upon this enumerated power, some argue that the founders intended to
grant the federal government more power than the Preamble provides. Such an
interpretation fails properly to take into consideration the prepositional phrase, "of the United States," that follows the infinitive phrase "provide the general welfare." That prepositional phrase prohibits the grant of power from being expanded beyond taxing and spending to provide for the general welfare of the union of states that make up the United States. The Taxing and Spending Clause was never meant to charge Congress with the obligation of providing for the welfare of each person living within the borders of this nation; instead, the prepositional phrase "of the United States" makes clear that Congress was charged with the obligation of providing for the welfare of the nation as a whole.

Those who argue that the Taxing and Spending Clause allows Congress to take money from some individuals and then redistribute it to others whose general welfare is in jeopardy also fail to account for the final sentence of the Clause: "[B]ut all Duties, Imposts and Excises shall be uniform throughout the United States." Any confusion about whether the Taxing and Spending Clause provides authority for the modern welfare state is put to rest by this requirement that all taxes must be uniform. Thus, to use the Taxing and Spending Clause as justification for the government's provision of a baseline standard of living for every person within the borders of the United States incorrectly allows the government to tax and spend in the interest of certain groups of people as opposed to others, or as opposed to the nation as a whole.

Madison was clear that the General Welfare Clause should not be cited as grounds for passing laws that otherwise have no Constitutional authority. He insisted, instead, that the validation of legislation should be through "a definite
connection between means and ends" in which the means and ends are linked "by some obvious and precise affinity" (Lawson 2009). The text of Federalist 41 sets forth Madison's argument that the General Welfare Clause was not meant to broaden the powers specifically enumerated:

It has been urged and echoed, that the power "to lay and collect taxes, duties, imposts and excises, to pay the debts and provide for the common defense and general welfare of the United States," amounts to an unlimited commission to exercise every power which may be alleged to be necessary for the common defense or general welfare. No stronger proof could be given of the distress under which these writers labor for objections, than their stooping to such a misconstruction...what colour can the objection have, when a specification of the objects alluded to by these general terms, immediately follows; and is not even separated by a longer pause than a semicolon. If the different parts of the same instrument ought to be so expounded as to give meaning to every part which will bear it; shall one part of the same sentence be excluded altogether from a share in the meaning; and shall the more doubtful and indefinite terms be retained in their full extent and the clear and precise expressions, be denied any signification whatsoever? For what purpose could the enumeration of particular powers be inserted, if these and all others were meant to be included in the preceding general power?...the idea of an enumeration of particulars, which neither explain nor qualify the general meaning, and can have no other effect than to confound and mislead, is an absurdity... (Rossiter 1999).

By this public defense of his position, Madison makes clear that the General Welfare Clause in Article I, Section 8, was intended to describe one of the three reasons the federal government can exercise its enumerated powers. That clause was never meant to authorize new powers not otherwise enumerated, but it was included
merely as an introduction to the enumerated powers granted concerning the common defense and the general welfare (Bugler 1994).

Essentially Madison wished to limit the ends to which the federal government could act, but not the means it could use to achieve those ends. He knew that, in the ever-changing American society, new and better means of achieving the ends of government would arise. In writing the Constitution, Madison took care to authorize only the powers necessary for accomplishing the survival of the union. Because it is evident that he ardently opposed the establishment of anything short of a limited government, it would be contradictory to assert that any clause in the Constitution grants broad powers other than those enumerated. Instead, any clause not in the enumerated powers should be interpreted to grant a means of promoting an authorized end. This validity of this rule for interpreting the Constitution is evidenced by Madison’s choice of the preposition in the Necessary and Proper Clause at the end of Article I, Section 8:

To make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Officer thereof. (Constitution of the United States 1787)

The use of the word “proper” in the Necessary and Proper Clause also supports Madison’s contention that the Constitution should be read as limiting the powers of the federal government. The requirement that laws for executing federal power must be "proper" provides a shorthand way of saying that they must stay
within the jurisdictional boundaries established by the Constitutional structure of federalism, separated powers, and reserved rights (Lawson 2009).

Despite his careful use of language in the Constitution to restrain the federal government, some scholars and politicians contend that Madison publicly supported limited government yet privately believed that the General Welfare Clause delegates to Congress plenary legislative power. These same people also contend that Madison believed that the enumeration of specific powers served simply to allocate and assign governmental functions (Sorenson 1992). These opinions hold little weight in view of Madison’s personal letters written during his time as a United States Representative.

For example, in a letter dated January 21, 1792, Madison wrote to Edmund Pendleton, "If Congress can do whatever in their discretion can be done by money, and will promote the General Welfare, the Government is no longer a limited one, possessing enumerated powers, but an indefinite one, subject to particular exceptions" (Heritage Foundation Quotes Database). Similarly, in a letter to Henry Lee the same year, Madison explained that "[i]f not only the means but the objects are unlimited, the parchment [the Constitution] should be thrown into the fire at once" (Bugler 1994).

Upon ratification of the United States Constitution and institution of the three branches of political power, Madison became a leader in the United States House of Representatives, serving from 1789 through 1797. During that time, the First Congress introduced and passed eleven amendments to the Constitution, ten of which
became the Bill of Rights (Bradford 1982, 150). Although the Anti-Federalist party drove the push for a Bill of Rights, Madison, who was beginning to butt heads with Hamilton, was cooperative and even proposed a number of the amendments. His position was, however, that when a government is limited by enumerated powers, a bill of rights is somewhat unnecessary and even potentially dangerous to liberty.

In demonstrating his commitment to reading the Constitution as a strict delegation of enumerated powers, Madison expressed his fear that partial enumeration would forfeit by implication un-enumerated rights (Kearnes). To cooperate with the Anti-Federalists, however, Madison proposed the addition of two clarifying statements, which later became the Ninth and Tenth Amendments.

Both the Ninth and Tenth Amendments were less a statement about rights than they were an affirmation about the nature of the Constitution, federalism, and a paradigm for interpreting the Constitution. The Ninth Amendment reads: "The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people" (Kearnes). This statement was added to the Bill of Rights at Madison's insistence because he understood that the enumeration of federal powers was intended to limit the public provision of services to only those specifically listed.

In drafting the Bill of Rights, the Founding Fathers did not want to cause anyone to think that individuals lost any right not specifically enumerated. While Madison intended to limit the powers of the federal government to those specifically enumerated, he did not intend to limit individual rights to those listed in the Bill of
Rights. Madison knew, therefore, that it was imperative to distinguish between his intent in each section of the Constitution. Accordingly, in the Ninth Amendment, Congress states that the rights of the people are not limited to those outlined in the Bill of Rights, and it reaffirms Madison's view that the enumerated powers of the federal government should be limited to those specifically listed.

Likewise, the Tenth Amendment confirms the concept of limitation of power by enumeration, as well as the framework of federalism. That Amendment reiterates the fact that, although the Constitutional Convention came together to institute a national government that was more viable than the government operating under the Articles of Confederation, they in no way supported the creation of a centralized government that could infringe on the liberties of the states or of the people. In other words, Madison supported the Tenth Amendment because it is consistent with his notions of limited government and because it reiterates that, although the people legitimized the new government to "establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty," they did not authorize broad or unlimited federal power. Nevertheless, this more liberal interpretation of the Constitution has provided the foundation for many actions by many administrations (Lawson 2009).

Even in the first session of the United States House of Representatives it became apparent that some of the leaders supported a liberal interpretation of the General Welfare Clause. In opposition, Madison became the leader of a bloc in Congress that supported strict Constitutionalism. Eventually, the bloc became the
Republican Party (sometimes referred to as the Jeffersonian Republican Party or the Madisonian Republican Party). The advocates of this new platform quarreled most often with their opponents, Hamilton's Federalist Party, regarding nationalized financial programs. Although Hamilton argued that the General Welfare Clause in the Constitution authorized Congress to tax and spend for a broad range of purposes, Madison, Jefferson, and members of the Republican Party disagreed (Pilon 2005). As numerous bills were presented to Congress during Madison's service as a Representative, he was unwavering in his stance that all legislation must be justified through an explanation of how it secured one of the ends enumerated to the national government.

Taken together, the ninth and tenth amendments provide a method for interpreting the Constitution. Madison knew that the benefits of the Constitution were dependent on how it was interpreted. He knew that each clause of the Constitution could be understood correctly if it were read in the context of the whole document, but he was sure that misunderstandings would undoubtedly arise (Kearnes). The Ninth and Tenth Amendments to the Constitution were added specifically to guard against a faulty reading of the Constitution that allowed the federal government to exercise more powers than were enumerated. Those Amendments were added for “greater caution” and as a guide to the construction of the rights of the people and the powers of the states (Kearnes).

The suggestion that the federal government was empowered by the General Welfare Clause to tax citizens and spend public funds for a variety of relief projects
came under scrutiny in 1789 within the term of the very first Congress. A bill was introduced to pay a bounty to fishermen at Cape Cod and a subsidy to farmers, and Madison responded:

Whether the general terms which have been cited [the General Welfare Clause] are to be considered as a sort of caption, or general description of the specified powers; and as having no further meaning, and giving no further powers, than what is found in that specification, or as an abstract and indefinite delegation of power extending to all cases whatever -- to all such, at least, as will admit the application of money -- which is giving as much latitude as any government could well desire. I, sir, have always conceived...that this is...a limited government, tied down to the specified powers, which explain and define the general terms.... I venture to declare it as my opinion, that, were the power of Congress to be established in the latitude contended for, it would subvert the very foundations, and transmute the very nature of the limited government established by the people of America; and what inferences might be drawn, or what consequences ensue, from such a step, it is incumbent on us all to consider (www.freerepublic.com).

In this case, Madison explains the context in which the General Welfare Clause of the Constitution was written and provides what is now a startling prediction of what might come about if Courts interpret the Constitution too liberally:

It is to be recollected that the terms "common defense and general welfare," as here used, are not novel terms, first introduced into this Constitution. They are terms familiar in their construction, and well known to the people of America. They are repeatedly found in the old Articles of Confederation, where, although they are susceptible of as great a latitude as can be given them by the context here, it was never supposed or pretended that they conveyed any such power as is now assigned to them. On the contrary, it was always considered clear
and certain that the old Congress was limited to the enumerated powers, and that the enumeration limited and explained the general terms.... If Congress can employ money indefinitely to the general welfare, and are the sole and supreme judges of the general welfare, they may take the care of religion into their own hands; they may a point teachers in every state, county, and parish, and pay them out of their public treasury; they may take into their own hands the education of children, establishing in like manner schools throughout the Union; they may assume the provision for the poor; they may undertake the regulation of all roads other than post-roads; in short, every thing, from the highest object of state legislation down to the most minute object of police, would be thrown under the power of Congress; for every object I have mentioned would admit of the application of money, and might be called, if Congress pleased, provisions for the general welfare (www.freerepublic.com).

In 1794, the House of Representatives debated whether to provide $15,000 for the relief of French refugees who had fled to Baltimore and Philadelphia from an insurrection in San Domingo. Although the Annals of Congress highlight the fact that Madison was sympathetic to the cause and expressed his wish for the suffering of the refugees to be alleviated, he was chiefly concerned that such an appropriation of federal funds would establish a precedent that may be dangerous if applied to a situation in the future where the recipient was not a charitable cause. Famously, in opposition to the passage of this piece of legislation, Madison rose from his seat to say that he could not "undertake to lay [his] finger on that article of the Federal Constitution which granted a right to Congress of expending, on objects of benevolence, the money of their constituents" (Pilon 2005). Through his insistence
that Congress must state which section of the Constitution authorized the passage of any law, it became evident to Madison's contemporaries that no national initiative or calamity would authorize Congress to accomplish an end not specifically delegated.

When a bill for the relief of Savannah fire victims was defeated decisively in Congress at the end of his time of service to the House of Representatives, it was apparent that he had also inspired a respect for the Constitutional limitation among other House members. A majority in Congress found that the General Welfare Clause afforded no authority for so particular an appropriation because it was not subsequently listed as an enumerated power. Madison's contemporary in the House of Representatives, William B. Giles observed, "[Congress] should not attend to what... generosity and humanity required, but what the Constitution and their duty required" (Pilon 2005).

Following his term as United States Representative, Madison did not become lackadaisical in his support of limited government and strict Constitutional interpretation. Quite the opposite proved true. Although he was a private citizen, his help was enlisted by the Virginia Legislature to draft the Virginia Resolution of 1798. In secret, he drafted this resolution to elucidate the position of the opposition to the Alien and Sedition Acts passed by the Adams Presidency. The Alien and Sedition Acts of 1789 were the results of war hysteria and partisan politics. In response to French depredations on American shipping interests preparing for war, Congress and President John Adams passed a bill to give the Administration power to send suspected Aliens away. Moreover, the Act contained a sedition bill designed to
suppress the Whig press, which had been assailing the President. When that bill passed, it became a penal offense to publish any false, scandalous, and malicious writing against the government with the intent of bringing it into disrepute (Kearnes).

In response, Madison began the Virginia Resolution:

"That this Assembly doth explicitly and peremptorily declare, that it views the powers of the federal government, as resulting from the compact, to which the states are parties; as limited by the plain sense and intention of the instrument constituting the compact; as no further valid that they are authorized by the grants enumerated in that compact; and that in case of a deliberate, palpable, and dangerous exercise of other powers, not granted by the said compact, the states who are parties thereto, have the right, and are in duty bound, to interpose for arresting the progress of the evil, and for maintaining within their respective limits, the authorities, rights and liberties appertaining to them." Emphasis added.

(Madison 1978)

Partnersing with Jefferson, Madison prepared a resolution in clear opposition to The Alien and Sedition Acts, stating that they prohibited all criticism of the government and seemed to ensure the Federalist majority in Congress would be permanent. With Madison’s Resolution, the Republican Party attempted to offer an alternative vision and a clear statement of Constitutional principles, which Madison desired for this country to embrace (Gutzman).

As president, Madison and the government he had created were put to a serious test. After being forced into war with Great Britain in 1812 by a firebrand Congress and Jefferson’s failed "embargo" policies, Madison lifted the morale of a
poorly prepared and ill-defended nation. After British troops burned the White House and much of the national capital, a "homeless" president with an upbeat spirit became the symbol of national reconstruction. Because of his optimism and patience, Madison became the symbol of national reconstruction. Even when New England states failed to support the war and threatened secession, Madison was able to preserve American independence and its unity as a nation (Felzenberg 2001).

While serving as President during this critical time in American history, Madison had the opportunity to take advantage of the national crisis and enlarge the reach of the federal governments, as so many administrations have done in the time following Madison's terms as President. Instead, Madison acted consistently with the Constitutional vision that he maintained throughout his political career. While he recognized that there was a definite need for a strong national government to secure and to protect the rights of citizens, especially during a time of war, he was faithful to his position that the powers of the government extended only so far as the enumerated responsibilities.

As an example of Madison's commitment to a limited federal government, during his final act as President in February of 1817, Madison vetoed legislation that provided for public works and internal domestic improvements (Bradford 1982, 152). While some people claimed that the crisis of war justified an expansion of the federal government, Madison disagreed. He expressed clearly that he was unable, as a political leader who had sworn allegiance to the Constitution, to approve of legislation that was not authorized by any enumerated power.
The legislative powers vested in Congress are specified and enumerated in the eighth section of the first article of the Constitution, and it does not appear that the power proposed to be exercised by the bill is among the enumerated powers, or that it falls by any just interpretation with the power to make laws necessary and proper for carrying into execution those or other powers vested by the Constitution in the Government of the United States. To refer the power in question to the clause "to provide for common defense and general welfare" would be contrary to the established and consistent rules of interpretation, as rendering the special and careful enumeration of powers, which follow the clause nugatory and improper. Such a view of the Constitution would have the effect of giving to Congress a general power of legislation instead of the defined and limited one hitherto understood to belong to them, the terms "common defense and general welfare" embracing every object and act within the purview of a legislative trust.... But seeing that such a power is not expressly given by the Constitution, and believing that it can not be deduced from any part of it without an inadmissible latitude of construction and reliance on insufficient precedents; believing also that the permanent success of the Constitution depends on a definite partition of powers between the General and the State Governments, and that no adequate landmarks would be left by the constructive extension of the powers of Congress as proposed in the bill, I have no option but to withhold my signature from it.

Emphasis added. (Madison 1817)

As evidenced in these and numerous other examples, the intent of the founding fathers was to establish a limited government. Madison, in particular, had the foresight to realize that the General Welfare Clause may be liberally interpreted to increase the scope of the federal government beyond that which was intended or which would be beneficial in the long term. To suggest that that the General Welfare
Clause grants a substantial amount of power disregards the intention of this statesman and Father of the Constitution.

Perhaps Madison expressed it best when he explained: "With respect to the two words "general welfare," I have always regarded them as qualified by the detail of powers connected with them. To take them in a literal and unlimited sense would be a metamorphosis of the Constitution into a character which there is a host of proofs was not contemplated by its creators." A liberal interpretation of the General Welfare Clause makes the enumeration of specific powers superfluous, which simply cannot be correct (Grossman 2009).

Progressive Era Redefines the General Welfare Clause

Although men with ideals consistent to Madison's founded and managed the country by a strict interpretation of the Constitution for decades, the onset of the Great Depression challenged the validity of laissez faire economic theory and tested men's faith in the power of a limited government. Leading with continued faith in this principle, President Herbert Hoover maintained a limited government during the early years of this national crisis and explained to the people that, "[e]conomic depression cannot be cured by legislative action or executive pronouncement. Economic wounds must be healed by the action of the cells of the economic body - the producers and consumers themselves" (Hoover).

While Hoover attempted to let the market self correct from the Depression in the early thirties, American citizens called for change. As a result of Hoover's
inaction, he was not elected for a second term (Hail 2008). When President Franklin Delano Roosevelt took office in 1933 following Hoover, he immediately began to draft ambitious policies designed to stimulate the suffering economy of the United States. Within just a few days of his 1933 inauguration, the President called Congress into special session and introduced a record of 15 major bills (Ganzel 2003). Congress consented to President Roosevelt’s aggressive agenda because the general public was frightened of what might occur if the federal government did not intervene to put an end to the Great Depression. Roosevelt’s initiatives including the National Housing Act, the Securities Exchange Act, the Federal Credit Union Act, and the Banking Act (Learning Bank). Roosevelt’s legislative agenda became known as The New Deal. It was with the Roosevelt Administration that Americans began to perceive the government as a “demigod” that can solve all problems (Hail 2008).

Throughout his presidency, Roosevelt enjoyed immense popularity, and because he was elected and reelected by wide margins, he felt he had a mandate to push his legislative agenda through Congress. To justify the sweeping legislation of the New Deal, Roosevelt used his bully pulpit to convince the nation that the dire situation of the economy required unprecedented action (Bendavid 2009). While his policies enjoyed broad support both in Congress and in the population as a whole, the Supreme Court, under the leadership of Chief Justice Charles Evans Hughes, found that several New Deal programs were unconstitutional.

In its haste to implement the first wave of public assistance programs called for by Roosevelt, Congress wrote emergency bills that were hastily drawn and poorly
drafted. Because of the makeshift character of this legislation and the fact that many provisions of the bills seemed to run counter to the Constitution, requests for judicial review began to mount (Pusey 1958). During 1935 and 1936, the Supreme Court ruled in favor of business interests and anti-regulation proponents in many cases it heard, challenging New Deal provisions. Specifically, although the Court recognized that legislation had been passed to help provide relief from the economic conditions of the Depression, it nevertheless found that the Constitution does not grant Congress a general power to regulate for the promotion of the general welfare. Pointedly, the Court stated, “To a constitutional end, many ways are open; but to an end not within the terms of the Constitution, all ways are closed” (Carter v. Carter Coal Co. 1936). In this way, the Court attempted to prevent the Roosevelt Administration from setting dangerous precedent (Rauh 1990).

On “Black Monday,” May 27, 1935, the Court dealt its most devastating blow to the New Deal. Specifically, on that date the Court unanimously invalidated three initiatives of the Roosevelt Administration (Martin 2007). By year-end, the Court had ruled against the administration’s interests in nearly every New Deal case it considered. Frustrated with what he feared would be the Court’s obstruction to the full realization of his executive and legislative agenda, Roosevelt even sought to neutralize the Court by initiating both a public relations war and a legislative battle to alter the makeup of the federal judiciary.

Four of the nine Justices were ardent conservatives who seemed to regard the New Deal as a governmental overstep and a violation of liberty. These four, who
became known as the “Four Horsemen,” were Justice Willis Van Devanter, Justice James C. McReynolds, Justice George Sutherland, and Justice Pierce Butler (Nelson 1988). The Horsemen consistently voted against New Deal legislation, and a number of them also demonstrated a personal dislike for the President. For instance, Justice McReynolds once stated, “I’ll never retire as long as that crippled son-of-a-bitch is still in the White House” (Martin 2007). Because the other Horsemen seemed to share McReynolds’ feeling, this group posed a significant threat to Roosevelt’s complete implementation of his New Deal initiatives.

A separate faction of the Court seemed to grow increasingly receptive to the New Deal legislation as the Great Depression lengthened. These men, including Justice Louis D. Brandeis, Justice Harlan Fiske Stone, and Justice Benjamin N. Cardozo, came to be called the “Three Musketeers” (Lazarus 1999, 283). Despite the unanimous decisions rendered in the three opinions of the Court on “Black Monday,” the “Three Musketeers” seemed more disposed to allow the elected branches of government wide latitude in framing public policies (Martin 2007).

The remaining two justices, Chief Justice Hughes and Justice Owen J. Roberts, were the swing votes on the Court during the Roosevelt era. The Chief Justice became known as “Solomon” for his wisdom, and Justice Roberts, who often concurred with the more conservative Justices, gained the nickname “Swinger” (Nelson 1988).

With increasing frequency Roosevelt expressed disappointment that he was the first president since James Monroe to serve a full term without having the
opportunity to appoint a Supreme Court Justice (Nelson 1988). He openly criticized the Justices for what he perceived as their inability to grasp the negative effects their decisions would have on American society (Nelson 1988). By 1937 he clearly felt that he had to take some action, particularly to combat the bloc of conservative Justices, if the New Deal was to be saved and expanded (Rauh 1990).

The action Roosevelt took soon backfired, however. Roosevelt’s bold plan involved increasing the number of Justices sitting on the Supreme Court. While Article III of the Constitution gives Congress the power to fix the number of Supreme Court Justices, it does not set a minimum or maximum number to be met (Constitution of the United States 1787). Roosevelt’s bill proposed that Congress be granted power to appoint an extra Justice for every sitting Justice over the age of 70½ (Martin 2007). Clearly, Roosevelt wagered that because most of the sitting Justices were over that age, and Brandeis was eighty-one, the public would agree with a plan to reinvigorate the “Court of Methuselahs” or “The Nine Old Men” as the Court had become known (Martin 2007). If the bill had been passed and the six Justices over seventy years of age had retired, Roosevelt would have been allowed to appoint six additional Justices immediately (Cushman 1994). After introducing this legislation, which would come to be known as the “Court-Packing Plan,” Roosevelt lost popularity and suffered a major blow to his image (Martin 2007). The public did not support the Judiciary Reorganization Bill of 1937, and the President eventually withdrew it.

Despite the intense public support for the Court expressed during the
discussions around the Judicial Reorganization Act, the year 1937 saw a decisive shift in the ideological alignment of the Justices. Most notably, during this year Justice Roberts consistently aligned himself with the more liberal Justices and enabled these New Deal proponents to achieve majority status and uphold a number of decisive pieces of legislation. Of equal importance to the makeup of the Court, Justice Van Devanter retired that year, enabling Roosevelt to appoint a liberal Justice to the bench and solidify the liberal majority of the Court. Accordingly, the impetus for the passage of the Judicial Reorganization Act was lost and the judicial struggle against the New Deal ended (Rauh 1990). Roosevelt withdrew his “Court-Packing Plan” while it was still in committee (Martin 2007). After the bill was withdrawn, people began to refer to the unexpected change in philosophy of Justice Roberts as the “switch in time that saved the nine” (Cushman 1994).

Undoubtedly, Roosevelt was thrilled with the Court’s ruling in the West Coast Hotel case. The case seemed to be an unequivocal signal that the Court would be more liberal in approving New Deal legislation in the future. The Court’s opinion in West Coast Hotel included the following significant language:

We may take judicial notice of the unparalleled demands for relief which arose during the recent period of depression and still continue to an alarming extent despite the degree of economic recovery which has been achieved.

The dissenting opinion of Justice Sutherland in the West Coast Hotel case, which was joined by the other three Horsemen, insinuates that the public support for the New Deal swayed Roberts’ change of Constitutional interpretation:

[I]n passing upon the validity of a statute, he discharges a duty imposed upon
him, which cannot be consummated justly by an automatic acceptance of the views of others which have neither convinced, nor created a reasonable doubt in, his mind. If upon a question so important he thus surrenders his deliberate judgment, he stands forsworn. He cannot subordinate his convictions to that extent and keep faith with his oath or retain his judicial and moral independence (West Coast Hotel Co. v. Parrish 1937).

This brash language reveals that the passions of the day affected even the comity of the Court.

While his relationship with the Court had a tumultuous beginning, virtually all of Roosevelt’s New Deal reforms were eventually upheld. While he had been embarrassed by the reaction his “Court-Packing Plan” received, Roosevelt was eventually able to bring about enough changes in the American economic system to protect the nation against the perceived ills of laissez-faire capitalism. In that sense, Roosevelt lost the battle over the structure of the Supreme Court but he won the war over the appropriate power of the federal government with respect to managing economic affairs. The intensity of the struggle, however, reveals that it required dire economic distress and ardent political confrontations to bring about the initial change from government as a protector to government as a provider of rights.

Despite some public misperceptions, it is now commonly thought that World War II, not the New Deal, provided the stimulus that brought the American economy out of the Great Depression. In fact, some economists today even argue that New Deal policies retarded the nation’s economic recovery. In an often-cited scholarly paper, Harold L. Cole of UCLA and Lee E. Ohanian of UCLA and the Federal Reserve Bank of Minneapolis maintain that the Depression would have ended in
1936, rather than in 1943, were it not for Roosevelt's policies that magnified the power of labor and encouraged the cartelization of industries (Will 2008). According to many experts, it was the draft, not Roosevelt's liberal policies that caused the country to go from record unemployment to virtually full employment. Moreover, it was the national production necessary to wage war, not Roosevelt's liberal economic agenda, that caused American industrial production to go from record lows to high output growth (Smiley 2007).

Although historical evidence points to the fact that the New Deal failed to end and, in fact, might have prolonged the Depression, many citizens today continue to call for the federal government to provide assurance of certain levels of economic prosperity (Will 2008). These citizens doubt that the capitalistic system that has made the economy of the United States the envy of the world can solve the present economic woes. In commenting on this situation, Professors Cole and Ohanian note the following:

The fact that the Depression dragged on for years convinced generations of economists and policy-makers that capitalism could not be trusted to recover from depressions and that significant government intervention was required to achieve good outcomes. Ironically, our work shows that the recovery would have been very rapid had the government not intervened (Sullivan 2004).

Without regard for this economic explanation as to what actually ended the Great Depression, modern Americans rely on the myth that Roosevelt's initiatives ended the years of extreme poverty in the United States. While this is not the case, the precedent that was set by the initiatives contained in the New Deal certainly did begin the United States moving on a path towards a welfare state and the pace with
which it is moving in this direction has only accelerated since his terms in office. Because the centralized government assumed the role of providing assistance in times of financial need during this time of national crisis, even during times of normal economic activity, individual citizens are justified in acting less prudently with the belief that the government will remedy any bad consequence down the road.

Development of Welfare Since the Progressive Era

As soon as the notion of centralized governmental action with respect to the nation's economic woes was legitimated in the minds of Americans, the transition from a capitalist economy towards a welfare state progressed rapidly. In less than a century, the American welfare system has been dramatically expanded and, some would say, substantially improved. Others, however, lament that welfare in the United States has shifted away from what Roosevelt began in an attempt to provide assistance to needy families to what has become a system of entitlement and abuse by both the state and the welfare recipient.

Absent from either evaluation, however, is the question of whether the American welfare system constitutes a legitimate exercise of power within the framework of the Constitution. Instead, the General Welfare Clause seems to have provided a launching pad from which those who advocate a liberal interpretation of the Constitution have initiated dozens of pieces of social legislation and welfare programs.
The first of these incremental shifts towards a centrally planned economy was through the Social Security Act of 1935, created by President Franklin D. Roosevelt to establish a minimum under which the government would not let an individual or family fall. This “poverty line,” as it came to be known, has since been an important benchmark against which all welfare programs are measured. The initial motivation for placing a dollar amount on the minimum quality of life that is acceptable was to provide assistance to families in which a parent, who was the breadwinner, was unable to provide financially for his/her family, due to death or disability.

Although the New Deal legislation provided the critical step of establishing precedent for accepting the federal government’s involvement in economic regulation for the advancement of the general welfare, the majority of entitlement programs that have come into existence in the United States were created as tactics in the War on Poverty. President John F. Kennedy identified the enemy in this war after reading two articles: The first was Homer Bigart’s *New York Times* series on Appalachian poverty and the second was Dwight MacDonald’s extensive review in *The New Yorker* of Michael Harrington’s *The Other America* (Germany, 4). The awareness that was created by these works, combined with the official launch of the War on Poverty by President Lyndon B. Johnson on the front porch of an Appalachian home in Inez, Kentucky (Jones 2000).

This War on Poverty quickly grew into a multi-faceted attempt to attack the root causes of poverty. Policymakers sought reform in a wide range of areas that included education, housing, health, employment, civic participation, and
psychological disposition (Germany, 5). Within the first year of President Johnson’s declaration of war, vast new bureaucracies were established and the Economic Opportunity Act provided for a variety of social services: Aid to Families with Dependent Children (AFDC), Volunteers in Service to America, Head Start, the Job Corps, Upward Bound, Legal Services, the Neighborhood Youth Corps, the Community Action Program, the college Work-Study program, Neighborhood Development Centers, small business loan programs, rural programs, migrant worker programs, remedial education projects, local health care centers, and others (Germany, 1-2).

Other important measures that were passed with the intention to serve antipoverty functions included the Revenue Act, the Voting Rights Act, the Model Cities Act, the Fair Housing Act, the Wilderness Protection Act, the Water Quality Acts, the Civil Rights Act, the Food Stamp Act, the Elementary and Secondary Education Act, the Higher Education Act, the Social Security amendments that created Medicare and Medicaid, the creation of the Department of Housing and Urban Development, several job-training programs, and various urban renewal-related projects (Germany, 1-2). Even in comparison to the liberal agenda of President Franklin D. Roosevelt, President Johnson was able to push through an unprecedented amount of antipoverty legislation (Germany, 1-2).

In 1969, President Richard Nixon proposed the Family Assistance Plan (FAP), which would have provided a guaranteed cash income to all families, as an alternative to public assistance programs. At the time, many policy analysts identified that the
regressive tax structure that existed in many states caused millions of former welfare recipients to be taxed back into poverty. In response, Nixon designed the FAP around Nobel Prize winning economist Milton Friedman's theories of how to “make work pay” and provide assistance for families who choose to remain in the workforce (Levitis and Koulish 2008b). Friedman, who was the first to articulate the concept of a negative income tax policy in his 1962 book, *Capitalism and Freedom*, envisioned a tax structure that would provide an incentive for people to supplement their earnings by increasing the number of hours they work. Friedman opposed Nixon's FAP that implemented his negative tax concept, however, because that legislation supplemented other anti-poverty programs rather than replacing them. According to Friedman, adding a negative income tax to existing anti-poverty legislation would create very high cumulative marginal tax rates for families who received benefits from multiple programs (Moffitt 2003).

When it became evident that the FAP did not have the support of Congress or the nation, Senator Russell Long, then Chairman of the Senate Finance Committee, developed an alternative proposal. Long was quoted as saying that the FAP proposed to “pay people not to work” while his plan did not (Marguerite Casey Foundation 2005). Long had been greatly influenced by Friedman’s theories, and he became a member of the new generation of American policymakers who began to view tax policy as a means of achieving macroeconomic goals (Fact Sheets). Long’s proposal called for a tax credit for low-income taxpayers who work, which he called a “work bonus.” While the proposal passed the Senate in 1974, the House then rejected it.
After President Ford called for simulative tax cuts, however, Congress enacted the “work bonus,” now commonly referred to as the Earned Income Tax Credit (EITC), as part of the Tax Reduction Act of 1975. The Senate Committee Report concerning this bill records the following statement about the goals for the new act:

This new refundable credit will provide relief to families who currently pay little or no income tax. These people have been hurt the most by rising food and energy costs. Also, in almost all cases, they are subject to the social security payroll tax on their earnings. Because it will increase their after-tax earnings, the new credit, in effect, provides an added bonus or incentive for low-income people to work, and therefore, should be of importance in inducing individuals with families receiving Federal assistance to support themselves (Marguerite Casey Foundation 2005).

Unlike most tax credits, the EITC, which remains a central part of welfare initiatives today, was originally designed as a refundable tax credit, meaning that a recipient’s tax owed may be reduced to less than zero. Because most low-income workers owe little to no taxes, the EITC provided cash benefits to eligible recipients. The dollar amount by which the EITC reduced a workers tax obligation was not a fixed number, however. Rather, the amount of the EITC was determined in a formula that took into account the salary and family structure of each individual worker (Holt 2006). In addition, there was a corresponding phase-out range for each family structure (Marguerite Casey Foundation 2005).

This subtle decrease in the amount of the transfer payment was necessary because the benefits of the EITC extend to taxpayers earning levels of income that are much higher than those typically helped through social welfare programs (Moffitt 2003). To ensure that the policy was an equitable and an appropriate use of public
funds, therefore, the government had determined the income levels to increase, to maintain, or to decrease the amount by which tax credits are given. Overall, the complex structure of the program attempted to efficiently create and to equitably administer incentives for workers to recognize the higher potential income from working than from welfare (Webster and Weeks 1995).

Enjoying broad based bipartisan support, the EITC was expanded numerous times since it's original introduction in the 70's. In 1984, for example, President Ronald Reagan used his State of the Union Address to impel Congress to implement sweeping reforms to the United States tax code, including an expansion of the EITC. As a result, Congress passed the Tax Reform Act of 1986, which firmly established the EITC as a permanent and key element of the federal government's strategy to fight poverty. As part of this tax act, President Reagan proposed and Congress accepted two notable changes to the EITC: the amount of the credit was increased, and it was indexed for inflation (Marguerite Casey Foundation 2005).

To an even greater degree than the Tax Reform Act of 1986, various pieces of legislation during the 1990's increased and expanded the scope of the EITC. First, in an omnibus budget bill in 1990, Congress increased the size of the credit and, for the first time, added a supplemental credit for families with two or more children. Then, in 1993, President Bill Clinton proposed a substantial increase in the EITC. He explained that:

[T]his will be the first time in the history of our country when we'll be able to say that if you work 40 hours a week and you have children in your home, you will be lifted out of poverty. It is an elemental, powerful, and profound
principle. It is not liberal or conservative. It should belong to no party. It ought to become part of the American creed (Marguerite Casey Foundation 2005).

In response to President Clinton’s proposal, Congress increased the credit further and made a small credit available for taxpayers between the ages of 25 and 64 with no children. This new credit was created, in significant part, to offset the effect of tax increases on low-income workers (Marguerite Casey Foundation 2005).

Specifically, the Omnibus Budget Reconciliation Act (OBRA) of 1993 substantially increased the amount of the EITC, with the increase to be phased in from 1994 through 1996. Due to this incremental expansion, by 1996 the EITC had become "the largest cash or near-cash program directed toward low income households." In addition, OBRA added a supplemental credit for families with two or more children (Marguerite Casey Foundation 2005).

Although the EITC contributed a great deal of success to the welfare system, the statistics reporting the success of welfare initiatives to pull individuals out of poverty were grim in the late 80s's. For example, nearly two-thirds of women on welfare were expected to require assistance for eight years or more. The average length of time spent on welfare was 11.6 years. More disturbing was the statistic that nearly two-thirds of all young women who received benefits from Aid to Families with Dependent Children gave birth to at least one child while still a teenager. Because these families were likely to spend a decade or longer on welfare, it was unlikely that the children would experience an example of a responsible role model.
during their most formative years (Rector & Butterfield 1987, 2). Due to these disheartening statistics, the most substantial reform to the United States welfare system occurred in 1996 as the result of cooperation between President Clinton and a Republican Congress.

The 1996 legislation, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), essentially dismantled the traditional welfare system and eliminated the reliance of entitlement feature in welfare legislation to transfer cash assistance to poor families. Instead, with this act, Congress began to rely more heavily on the tax code to provide relief for America's working poor. As a result, the low-income population experienced a great reduction in the number of people eligible for long-term cash support (Eissa and Nichols, 90). To address the fears some people had that the regressive tax structure in many states would cause millions of former welfare recipients to be taxed back into poverty, the EITC benefits in PRWORA were expanded. This expansion was meant to provide support for needy families while rewarding those who chose to remain in the workforce and subject themselves to local, state, and federal taxes (Levitis and Koulish 2008a).

More specifically, Temporary Assistance to Needy Families (TANF), which is still in existence today, required that single parents be involved in at least twenty hours of work per week within two years of receiving assistance, and married couples must participate in the work programs. Federal funds could only be used to provide a total of five years of welfare assistance in a lifetime to a family. Able-bodied childless adults aged eighteen to fifty-four would be eligible to receive food stamps.
for a total of three months in any three-year period. If such individuals lose their job, an additional three months of food stamps will be allowed once in a three-year period (Garkovich 1997). These changes shifted the emphasis of welfare programs from hardship alleviation to temporary stopgap measures (Zimmerman and Dyk 2000, 1). It is for this reason that many refer to TANF as a welfare-to-work initiative.

Importantly, PRWORA changed the method by which welfare funds were distributed. TANF is funded through block grants to states. The states then have flexibility to develop and implement their own welfare initiatives (Whitener et al. 2003). The funds may be used for an array of items, including child care, job training, and cash assistance (Spaid 1997). In theory, devolution allowed the local governments, which would be responsible for distributing welfare benefits, to better respond to the needs of their communities (Tickamyer et al. 2007, 2). In the Appalachian region, Kentucky was one of the first states to respond with its own plan, Kentucky Transitional Assistance Program (K-TAP), and in doing so secured an additional $10 million in federal funds (Garkovich 1997).

Within the first decade following the passage of PRWORA, more than 3.5 million people nationwide were removed from the welfare rolls (Armey 2004). This piece of legislation fundamentally changed the tactics of the War on Poverty and caused many to assert that, although the war was launched in 1964, “it wasn’t until 1996 that we truly began winning it” (Armey 2004). The favorable opinions of TANF were attributable to the elimination of welfare’s entitlement status, which attempted to change the mindset of those who felt they had an automatic right to
benefits (Armey 2004). In more rural regions of the country, however, there were less impressive results. The difference was likely due to variations in State welfare program implementation and the encumbering characteristics of the region earlier identified and later discussed (Whitener et al. 2003).

The Taxpayer Relief Act of 1997 made significant changes to the United States tax code but not changes that directly amended the EITC. Rather, this act significantly affected the majority of EITC beneficiaries because the “centerpiece” of the act was a new tax benefit for families with children through the Child Tax credit. Like the EITC, the Child Tax credit was a negative income tax (Fact Sheets). Unfortunately, however, this legislation did not change the fact that the working poor who are eligible to claim both the EITC and the Child Credit must complete separate forms (Marguerite Casey Foundation 2005, 5).

In spite of reductions in caseloads and the time limits imposed on welfare beneficiaries that resulted from the policies contained in PRWORA, the welfare system today is an extremely expensive institution. The estimated cost of welfare from the beginning of the War on Poverty through the end of the millennium was $8.29 trillion adjusted for inflation in the year 2000 (Rector 2001). In fact, in fiscal year 2000, total federal and state spending on welfare programs throughout the nation was $434 billion. In comparison, if the welfare spending in the year when President Johnson launched the War on Poverty were adjusted for inflation, it would amount to $42 billion. In sum, calculating the expense of welfare, it is clear that costs have increased ten fold since the 1960’s (Rector 2001).
Some of the high price tags for poverty alleviation efforts through welfare are the result of the fact that six departments of the federal government are involved with its implementation: the Department for Health and Human Services, the Department of Agriculture, the Department of Labor, the Treasury Department, and the Department of Education. It is not unusual for a welfare-dependent family to receive goods or services from more than one of these organizations simultaneously (Rector 2001). Because of this overlap in benefits and because the federal government mandates much of the state welfare spending with the block grants provided through TANF, it is a difficult and misleading task to disaggregate welfare spending by the level of government or by program (Rector 2001).

Despite each of the creative government initiatives outlined above and in spite of the massive outlays to poverty-stricken communities and individuals, general consensus is that the federal government has not effectively alleviated poverty in the United States. Moreover, the trivial success that some point towards is not proportionate to the enormous budget and extensive infrastructure required for its perpetuation. This failure of entitlement programs to improve standards of living for the poor intensifies the sting that these initiatives have come about in conjunction with an increasing tendency for Americans to disregard the constraints outlined in the Constitution and to gradually accept the notion of a centrally planned economy.

Causes of Welfare's Ineffectiveness

The realization that Americans have paid high price tags to maintain largely
unsuccessful welfare programs demands an explanation of why this situation would persist for decades. The apparent conundrum is resolved by an analysis of the incentives created by the entitlement system. Although no one is an open advocate of poverty, it is undeniable that welfare creates mal-incentives of bureaucrats, recipients, and taxpayers, which perpetuate its existence. In spite of the widespread agreement regarding the shortcomings of the War on Poverty, the force of the motivations of each stakeholder in welfare has made the antipoverty framework a mainstay in American social policy (Germany, 7).

Although it is possible that the politicians and legislators who initially designed and implemented welfare institutions had good intentions, in light of the widespread agreement that dependence on transfer payments has been the unwanted outcome of the majority of initiatives that began during the War on Poverty, it is difficult to assert that those who advocate the continuation of welfare programs have altruistic motives. Although antipoverty programs were, in theory, designed for the purpose of making themselves obsolete (Baetjer 1984), it is undeniable that the thousands of bureaucrats employed by the welfare programs have a financial disincentive to eradicating the problem of poverty.

This moral hazard, combined with the fact that the majority of welfare programs sustain people who are in poverty rather than help move them out of poverty (Garkovich 1997), has led to a number of harsh critiques regarding the motives of bureaucrats who are involved in the distribution of welfare benefits: For example, Thomas Sowell asserted that “the poor are a gold-mine” for those who work
in the bureaucracy (Baetjer 1984). Similarly, M. Stanton Evans points out that the salaries of civil servants, contractors, and consultants have consumed an enormous portion of the spending that has been outlaid over the decades as part of the War on Poverty (Baetjer 1984). Twenty-five years ago, Howard Baetjer Jr. powerfully expressed the propensity for government programs to be more expensive and less effective than free-market solutions in his article entitled “Does Welfare Diminish Poverty?”:

A final effect of government-provided welfare that we would expect to find, knowing how human beings behave, is inefficiency and waste. This is a phenomenon we might call “government failure”: the inherent inability of government to do much of anything well. Since bureaucrats are paid out of tax revenues, which are collected regardless of whether or not the bureaucracy does a good job, there is little incentive for them to maintain high standards. Since the amount of taxpayers’ money that passes through their hands depends on the size and perceived importance of their programs, the bureaucrats have an incentive to expand the numbers encompassed by those programs, and to find new reasons for increased funding (Baetjer 1984).

Certainly bureaucrats are not the only party with an interest in the continuation of welfare programs. Had the trillions of dollars spent on the War on Poverty been able to alleviate all poverty that exists today, it is no less true that legislation of this sort may cause an increase in the number of individuals requesting assistance in the future. Because transfer payments artificially soften the effects of apathetic educational, employment, family structure decisions, they could lead to more bad decisions and, in turn, additional poverty. It is probable that the guarantee of this assistance has contributed to the prevalence of the occurrence of these types of
problem in modern society. If the United States is to adhere to its free-market roots, people must be made to realize that the risk of loss is a necessary evil.

The concept of moral hazard exists on the complete opposite end of the spectrum. This economic principle explains how a perception of diminished risk may lead a rational actor to assume additional risk. This phenomenon has historically been observed in situations in which the presence of insurance tends to "encourage behavior that increases the risk of insured loss" (Anderson 2000). The type of moral hazard that exists with the welfare system is analogous to the economic phenomenon known as the principal-agent problem.

In a principal-agent problem, the motives of an agent (the welfare recipient who would like the transfer payments to continue indefinitely) do not match those of the principal on whose behalf actions are taken (the taxpayer who would like to provide short term assistance in times of serious financial hardship) (Alexander et. al 2002, 695). Because prior promises of governmental assistance have created the perception that someone else will perpetually take responsibility for predicaments resulting from poor decisions, many feel that already have supplied the necessary conditions for moral hazard to arise, thereby exacerbating the current problem. Reasonably, those who experience times of financial distress have come to expect that the government will pursue any necessary means to ease the economy out of any recession.

The existence of a moral hazard problem was essentially admitted with the replacement of AFDC with TANF. Not only did conservatives argue that structural
disincentives to work were embedded in the early welfare system, liberals recognized the need for time limits to reduce the possibility that welfare recipients would rely on the generous benefits provided by the government rather than returning to work (Tickamyer et al. 2007, 4).

Neither the job security desired by bureaucrats, nor the complacent attitude adopted by welfare recipients can entirely explain the fact that the government directing billions of dollars into the welfare system for nearly a century has not alleviated persistent poverty. Why have voters and taxpayers sat idly by while tax dollars are funneled into ineffective entitlement programs?

The answer relies once again on Adam Smith's philosophy in the *Theory of Moral Sentiments*: There is a widespread belief that, as citizens of the most prosperous nation in the world, we have a responsibility to care for those less fortunate than ourselves. Bureaucrats manipulate this laudable emotion by proposing legislation that is intended to increase their own departments, budgets, or power under the guise of concern for the poor. Moreover, as the percentage of the population that receives entitlements in some form continues to rise, it becomes easier and easier for the majority vote to be attained.

Whether politicians secure votes by convincing prosperous men that they should feel guilty for their financial success or by persuading people experiencing hardship that they need the government's assistance, once the legislation passes, the economic principle of "crowding out" takes effect. This theory explains that government spending is to some degree offset by a reduction in private investment.
As it applies to the economic transaction of entitlement spending, when a bureaucratic transfer of wealth occurs to alleviate the effects of poverty, taxpayers feel that their obligation to be charitable is met, although indirectly. Furthermore, as poverty persists, voters are encouraged that more funding is required to combat its ill effects in society.

As a result, the welfare system grows and grows. American citizens fail to realize, however, that a large portion of their contribution actually funds the massive bureaucracy required to administer welfare benefits. In this way, although voters often support welfare legislation because it allows them to feel as though they have acted morally and charitably, the ultimate outcome of their vote is not the achievement of their original intent to provide effective assistance to those in need.

The interplay between each of these mal-incentives not only explains why welfare has grown over the decades, but it also elucidates why the entitlement programs are entrenched into the American system of government. Moreover, the analysis of bureaucratic motivation for the continuation of welfare makes it seem plausible that the incremental expansions of the American welfare system were designed as part of an overarching plan to increasing the power of the federal government. Failing to realize this, Americans have allowed the federal government to overstep its Constitutional constraints while being unconcerned with whether it actually achieves its purported goals.
Case Study: Welfare in Appalachia

Although understanding the perverse incentives of bureaucrats, welfare recipients, and taxpayers is valuable in understanding the ineffectiveness of welfare across the nation, a look into obstacles faced by some of the poorest areas of the country go further to explain why transfer payments into these regions are failing to solve the problem of persistent poverty.

In fact, few stereotypes are as well established in American culture as that of uneducated, unemployed, and unwed mothers living in Appalachia who draw their income from the government’s welfare rolls. Unfortunately, reality in this impoverished region involves poverty not only for single mothers but also for married couples, young and elderly alike.

Recognizing the characteristics of this region that have trapped generations in poverty reconciles why policy makers have for decades struggled without avail to design programs to provide a remedy for the persistent poverty of the Appalachian region. Despite what may have been noble intentions, most observers agree that President Ronald Reagan was right in 1988 when he stated that, in America’s War on Poverty, “poverty won” (Germany, 11). Even individuals who cannot agree with President Reagan that poverty won in the nation at large will concede that poverty has persisted in the Appalachian region despite the massive spending as part of the War.

If, in contrast, the surge of federal welfare initiatives had been successful, Appalachia would have experienced declining poverty rates and then declining bureaucratic budgets required to combat the weakened enemy. Instead, the
Appalachian region failed to experience falling poverty rates and the political region characterized by persistent hardship has grown in size and in the amount of funding required for its improvement (Alford 2008).

It is difficult to ascertain the dollar amount of government transfer payments that have benefited the Appalachian region specifically. This difficulty arises because the political boundaries have changed numerous times in the past forty years. As a result, the calculation would involve a different set of counties during different time periods. Moreover, if it were possible to hold the territory of the Appalachian Regional Commission constant, the figures of overall spending would be somewhat fruitless.

Even among the counties identified as Appalachia, there are vast differences in the allocations of funds: For example, the federal government sent more than $12 million worth of food stamps in 2006 to Kentucky's Harlan County, according to the U.S. Bureau of Economic Analysis. In the same year, however, Kentucky's Nicholas County received just $1.1 million. These differences in spending reflect the differences in need. For example, the annual jobless rates in Kentucky's Harlan County ranged from 13 percent in 1997 to 9.1 percent last year in 2008. In comparison, Kentucky's Nicholas County annual jobless rates ranged from 4.4 percent to 6.4 percent for the same periods (Alford 2008).

While debates about welfare dependence typically focus on the incentives created by transfer payments, to comprehend the problem fully, policy makers must also take into consideration the environment in which the recipients live. This
understanding is required in order to establish reasonable expectations of recipients’ abilities to move off of welfare rolls. To evaluate the success of welfare in Appalachia, for example, it is relevant to understand that poverty in rural areas has historically been higher than both overall poverty rates and poverty rates in urban areas (Zimmerman and Dyk 2000, 1). As evidence, despite massive amounts of federal funding flowing to the region since the 1960’s and despite the longest economic expansion in United States’ history during the 1990’s, one-fourth of Appalachian counties are classified as economically distressed (Jones 2000).

While these statistics are certainly disheartening, the crux of the problem is not that welfare spending has failed to end poverty. Even if it were possible to increase the income of all impoverished individuals to a socially desirable level, poverty will never be alleviated until people are self-supporting. Perhaps Howard Baetjer Jr. expressed this idea best in the article “Does Welfare Diminish Poverty” when he draws the analogy: “It is not enough that they be living for the moment at an acceptable standard if they remain dependent, just as one is not cured of a disease when he is taking medicine that eliminates his symptoms (Baetjer 1984).” Rather than dull the pain experienced by individuals living with persistent poverty, it is necessary to address the characteristics of Appalachia that have caused the region to be left out of the economic expansions of recent decades.

A substantial amount of research corroborates these findings that welfare encumbers progress against poverty in rural regions of persistent hardship (Baetjer 1984). A review of the literature in this area yields explanations that are numerous
and intertwined. Most agree, however, that the following variables stand out as significant obstacles for virtually every community: low rates of education, high rates of single-parent families, lack of access to childcare, and lack of accessible transportation.

While the trends in the region of Appalachia of low educational attainment rates and high birthrates of children to unwed, teenage mothers are social problems, the remainder of challenging issues faced by the region can collectively termed as the “friction of distance” by Zimmerman and Dyk in their article “The Impact and Outcomes of Welfare Reform Across Rural and Urban Places in Kentucky” published in 2000. This concept encompasses problems associated with low population densities in rural areas such as extended travel time to work, school, childcare, and healthcare, often over difficult landscapes.

This problem of living in remote locations is further complicated by a scarcity of public transportation and low rates of private ownership of a reliable vehicle (Zimmerman and Dyk 2000, 3). Thus, even if all welfare recipients adopted an attitude of personal responsibility, there are massive interventions in the structural characteristics of the region that must be addressed before an end to poverty in Appalachia can be expected (Tickamyer et al. 2005, 20).

First, Appalachia has consistently low rates of educational attainment. Whether a high school dropout resides in Appalachia or in another region of the United States, it is statistically proven that the propensity for him or her to live in poverty is increased by the decision not to obtain a full secondary education. Statistically, in
2007, labor economists estimated that one additional year of high school translates into a 10 percent average gain in earnings. Moreover, the attainment of a college degree, on average, adds 20 to 30 percent in earning potential. These social scientists hypothesize that it is not simply the acquisition of cognitive skills that increase income, but the development of non-cognitive skills such as self-control, responsibility, initiative, and charisma (Ziliak 2007, 2).

In Appalachia, the association between higher educational attainment and higher earning potential is particularly strong. While some hypothesize that high school dropouts make a rational choice not to pursue an education based on the unavailability of quality jobs in the region, a 2005 study by Lichter and Campbell finds little evidence that education does not pay in Appalachia.

Rather, poverty rates are not only very high among the least educated Appalachians, but these rates are higher than the rates among individuals with comparable levels of education elsewhere in the country (Lichter & Campbell 2005, 29). Lichter and Campbell theorize that their results are not reflective of unique benefits of education in rural Appalachia but that there are extremely high consequences of low educational achievement among the poorest in this region (Lichter & Campbell 2005, 23).

Despite the persuasive evidence supporting the recommendation for Appalachian youth to stay in school, there is reason to believe that even the finest education available to the region may be sub par. Because school systems are financed through ad valorem taxes levied on properties in the school district, the low
property values in the region of Appalachia do not generate a tax based that is able to provide adequate funding for quality institutions and teachers (Appalachian Regional Commission, 10).

Furthermore, it is a commonplace for those who receive a quality education to migrate away from the Appalachian region in search of better economic opportunities. While this may better the lives of those who leave, it leaves the remainder of the Appalachian population less educated, unemployed, and impoverished with little to attract industry to the region.

In 1997, Brian Cushing explained that, “the remaining people cannot reasonably get to the jobs, and the jobs will not come to the people” (Cushing 1997, 2). Sadly, despite the region’s increase in migration during the 1990’s, much of the growth due to an increase in the numbers of less educated individuals (Lichter & Campbell 2005, 20-21). Specifically, between 1995 and 2000, about 25,000 more college-educated persons left Appalachia than entered it (Lichter, Garratt, Marshall and Cardella 2005). Appalachia migration over the years has lowered the average educational level of the population and significantly reduced the number of college-educated individuals residing in the region. (Cushing 1997, 7).

Statistics suggest that the increasing disregard for the traditional family structure has also played a large role in continuing and enlarging poverty in Appalachia. The rise in single parent families, female-headed households in particular, has been accompanied by an increase in poverty rates, especially among children (Lichter and Crowley 2004; Iceland 2003). In the United States as a whole,
the 2000 census revealed that 34.3 percent of female-headed families with minor children were poor (Lichter & Campbell 2005), and in Appalachia, the percent was 3 percent higher (Mather 2004, 30). This was the highest rate of any family structure, especially in comparison to the low rates for families of couple families (Lichter & Campbell 2005).

Perhaps the most devastating effect that the welfare policies have had on Appalachia, and on poor regions throughout the country, is that the incentives produced by anti-poverty programs seem to have encouraged this breakdown in the traditional family structure. This theory is based on the facts that, for individuals on welfare, to get married is also to face a reduction in benefits that represent, on average, 10% to 20% of their total income (Brownback & Blankenhom 2008).

Scholars estimate that fear of this marriage penalty causes a larger number of couples not to marry than the number who would experience a cutback in benefits because of misunderstanding (Brownback & Blankenhorn 2008). If this is indeed the case, welfare policies effectively give incentives for poor couples to avoid taking advantage of an institution that would likely lift them out of poverty over time. The unity of marriage typically provides couples with the ability to build financial stability and move off of welfare rolls (Brownback & Blankenhorn 2008).

As disconcerting as the rise in single-parent households is, the tendency for young women to become pregnant out of wedlock is equally, if not more, of a problem for impoverished communities in Appalachia. Research has shown that the presence of children is associated with higher poverty rates for families in this region.
Many argue that young people continue to have children that they cannot afford because, with each new addition to the family, Section Eight Housing payments rise, food stamps rise, and the welfare check increases in amount (Linehan 2009).

Young mothers who have never been married are especially prone to becoming long-term welfare recipients. During the time span when AFDC payments were being made, two-thirds of all mothers on welfare gave birth to at least one child while she was a teenager. These families were expected to spend ten or more years on welfare. The longevity of this environment meant that children grew up in homes lacking those ideas of personal responsibility, self-support, and work that form the foundation of the successful American family (Rector & Butterfield 1987, 2). Thus, many children born of young, unwed Appalachia mothers experienced negative outcomes beyond financial disadvantages (Mather 2004, 30).

Another reason that being a single parent in Appalachia is particularly difficult to overcome is that there is a scarcity of adequate and affordable childcare in the Appalachian region. Many women cite this factor as a limitation in their ability to join the labor force. Moreover, research has shown that this poor quality of care, in terms of staff-to-child ratios, training, turnover rates, and staff salaries, can be yet another negative in the cognitive development and language skills of children. As a result, it is common in Appalachia for families to rely on informal childcare arrangements with friends or relatives (Mather 2004, 21-23). In 2000, there were just over 400,000 grandparents who reported living with their grandchildren and being
responsible for providing care of their basic needs (18-19).

Although it is not the ideal solution to end poverty in Appalachia by encouraging migration of individuals to regions with better economic opportunities, studies show that this resolution is scarcely an option for Appalachian families. Appalachia’s distressed counties had the highest share of grandparents as caregivers, 56 percent, compared with other regions in the country (Mather 2004, 20). As a result, many are unable to simply pick up and leave because they would risk losing the childcare required for them to join the labor force (23).

In fact, this dependence has caused a number of low-income individuals who choose to leave the Appalachian area to experience more difficult economic challenges in new areas even when employment opportunities are more prevalent there (Garkovich 1997). In short, the presence of children often makes it less feasible for families to migrate where jobs are available, thus limiting the possibility that individuals will be able to pull themselves out of poverty.

Although the problems of low rates of educational attainment, high rates of unmarried teenage pregnancy, and, in turn, the limited mobility that results from dependence on informal childcare arrangements, are avoidable outcomes of bad decisions made by individuals, the problems of inadequate roadways in Appalachia is not a factor of poverty that can be controlled independently of government assistance. Although the responsibility of government to maintain and improve roadways is not explicitly defined in the Constitution, even the strictest constructionists would agree that this is a conservative role for the government to play in the nation’s economy. It
is only when the Appalachian communities are provided with adequate roadways that they will be able to attract the manufacturing jobs required for the expansion of economic opportunities. Manufacturing firms, in turn, add to retail success in the area because of the high wages associated with industry compared to agriculture. More importantly, elevated salaries from industry allow residents to pull themselves out of long-term dependence on welfare income (Blair et al. 2004).

In light of this solution, one may question why the Appalachian region has not experienced higher rates of poverty alleviation from the large investments that have been made in the roadways of the region. After all, nearly two-thirds of the budget of the Appalachian Regional Commission’s budget goes towards the improvement of the roads. Engineers explain, however, “by its hilly nature, Appalachia is expensive to ‘fix’” (Jones 2000). For example, an eleven and a half mile stretch of U.S. 23 in eastern Kentucky that required massive rock excavation cost $47 million. By comparison, highways in flat, non-Appalachian western Kentucky run $2 million per mile (Jones 2000).

As another example, by the year 2000, the Appalachian Regional Commission had spent $5 billion toward a 3,000-mile system of highways that was nearly complete. To complete the project, however, the last 700 miles were estimated to cost more than the first 2,300 because what remained was to excavate the mountains (Jones 2000).

When welfare initiatives were first put in place in the Appalachian region, the funding for programs intentionally bypassed the control of local politicians in order to
prevent corruption. Enraged by this circumvention, these leaders attempted to persuade constituents that the true agenda of community volunteers and bureaucrats was to promote Communism (Jones 2000). This allegation, combined with the independent personality of many Appalachian mountaineers, caused many to decline participation in welfare programs.

Other areas in Appalachia may have been bypassed all together. "Easier-to-reach poor were reached more often and benefited more fully than those considered ‘hard-core’ poor" (Germany, 7). Counties that were considered "sinkholes for investment" were ignored for many of the early years of the War on Poverty, giving these areas a late start and a lower overall chance of success. Many of the interior, rural counties received no funding until the 1980’s (Jones 2000).

With the passage of PRWORA in 1996, the devolution from the federal to the state level of welfare funding was designed to correct these problems. The block grants given to states make it more likely that funds are evenly distributed, as opposed to a return on investment calculation done at the federal level. Moreover, the state governments should be more adept at addressing the challenges that face communities because of their proximity and their accountability to constituents (Tickamyer et al. 2005, 7-8). With this in mind, 15 states have devolved responsibility to local counties and communities. "Second-order devolution," as this delegation is called, leads to heightened discretion for local governments and allows greater flexibility in the types and delivery of services offered to families (Whitener et al. 2002, 3).
The challenge to this thinking, however, many claim that the most disadvantaged areas in Appalachia are also those with the least local capacity. There is a small probability that the political institutions in poor rural areas will be able to implement programs that comply with federal mandates and that cater to the needs of the local community (Tickamyer et al. 2005, 7-8). The wide variation in welfare initiatives that results from this flexibility also makes it more difficult to assess the holistic success of welfare (Whitener et al. 2002, 2).

More importantly, the theory of local discretion being favorable does not take into consideration that structural issues of rural communities, which are a dominant barrier to the success of welfare in Appalachian. Local leaders have the ability to make individual interventions rather than structural changes (Tickamyer et al. 2005, 24). Directors are all too aware that they are dealing with a larger structural issue, endemic to the region, but it is beyond their power to do anything at this level (Tickamyer et al. 2005, 25).

The frontiersmen who traversed mountainous lands to settle in the unexplored territory of Appalachia were independent and self-sufficient people (Williams 2002); they were the very essence of Americans who believe that limited government can offer unlimited opportunity through hard work and initiative (Armey 2004). When the poverty warriors arrived under the banner of the War on Poverty, however, Appalachian people saw themselves reflected in the eyes of people who saw something that needed to be corrected (Jones 2000).

Having now been geographically isolated and welfare dependent for
generations, Appalachians must re-experience the self-reliance and the love of liberty those early settlers shared. When the people of this region are able to make the primary drive for change, welfare reform will be successful (Appalachian Regional Commission, 8). More specifically, the Appalachian people must break the spirit of poverty and dependency that government transfer payments create (Armey 2004).

Suggestions for Improvements to Welfare

Having traced the development of the welfare system in the United States and having uncovered the mal-incentives and inherent challenges involved in reforming the entitlement programs, the only reasonable perspective from which to recommended any changes to the American welfare state is one that takes into account the difficulty of the task and the great opposition that would be faced. Reforms, therefore, must be submitted slowly, yet deliberately. Most importantly, in an effort to implement a more conservative interpretation of the Constitution, modifications that dismantle the entitlement system in America must occur incrementally, as did the steps that led to its enormity.

Specifically, as opposed to advocating the termination of certain welfare initiatives, change would be more easily achieved by working with supporters of welfare to make marginal enhancements to the EITC. The EITC has, at least, some positive effects on the number of hours worked by low-income individuals, and it has helped individuals improve their economic situation.
In fact, this program is widely considered to be the most efficient social welfare policy adopted by Congress. According to a survey conducted by the Employment Policies Institute in 2007, fifty-three percent of labor economists believe that the EITC is very efficient while only twelve percent of the same survey group perceive general welfare grants as efficient (Employment Policies Institute). In addition to this support for the theoretical underpinning of the EITC, there have been a number of census reports that support the notion that millions of Americans are removed from poverty because of the assistance they receive through the EITC (Eissa and Nichols, 90).

Because eligibility of the EITC is limited to families with earned income from work, researchers acknowledge that the credit provides incentives for transitioning from welfare to work and has dramatic effects on the labor force participation for low-income individuals (Levitis and Koulish, 2008a). Having an incentive to work not only helps improve an individual’s economic situation, but it provides the psychological benefit of not having to rely on government handouts to survive (Peters 2007).

In this regard, Nobel Prize winning economist Milton Friedman, mentioned earlier, touts five advantages to a general negative income tax: 1.) the negative income tax has the advantage of providing economic relief to poor families solely on the basis of their income, and not on the basis of other classifying characteristics that were used historically to represent a need for assistance; 2.) the negative income tax provides the recipient with cash, the “best” form of support; 3.) a negative income tax
could replace a number of other programs designed to improve income inequality; 4.) a negative income tax saves administrative costs; 5.) and negative income taxes do not interfere with the function of the free market, as do other initiatives such as minimum wage law and tariffs (Moffitt 2003, 128).

Advocates of Friedman's paradigm of minimal government claim that these benefits are not fully realized through the current EITC design, however. These followers purport that the fight to improve the economic situation of low-income workers could be better won if the EITC policy was modified to reflect more of Friedman's ideas (Moffitt 2003).

As it functions now, the EITC is refundable, meaning that it has the potential to reduce tax owed to below zero, with any negative amount being paid to the individual as a transfer payment from the government. Because most low-income workers owe little or no federal income taxes, the EITC simply provides cash benefits to eligible recipients. The dollar amount by which the EITC reduces a workers tax obligation is not a fixed number, however.

To ensure that the EITC program is equitable and an appropriate use of public funds, the government has determined eligibility thresholds and limitations. Specifically, the amount of the EITC is determined in a formula that takes into account the income and family structure of each individual worker (Holt, 2006): The low rate, 7.65 percent of qualified earned income, is paid to taxpayers with no children; a much higher rate, 34 percent of qualified earned income, is paid to taxpayers with one child; and an even higher rate, 40 percent of qualified earned
income, is paid to taxpayers with two or more children (Marguerite Casey Foundation). For 2008, families with two or more children receive an EITC equal to 40 cents for each dollar of qualified earned income up to $12,060, for a maximum benefit of $4,824. Families with one child receive an EITC equal to 34 cents for each dollar earned up to $8,580, for a maximum benefit of $2,917. Families continue to be eligible for the maximum credit until their income reaches $15,740 (or $18,740 for married-couple families) (Levitis and Koulish, 2008).

There is a phase-out range for each family structure (Marguerite Casey Foundation). Specifically, the EITC phases out gradually as income rises above $15,740 for single-parent families or $18,740 for married couples (Levitis and Koulish, 2008). Single-parent families with two or more children remain eligible for some EITC benefit until income exceeds $38,646, while such families with one child remain eligible for some EITC benefit until income exceeds $33,995. For married couples, the maximum eligibility levels are $41,646 for two or more children and $36,995 for one child.

The following charts reflect the eligibility thresholds and limitations for the year 2009:
Congress has determined that a subtle decrease in the amount of the EITC is necessary because its benefits extend to taxpayers earning levels of income that are much higher than those typically assisted through social welfare programs (Moffitt, 2003). Overall, the complex structure of the program attempts efficiently to create and equitably to administer incentives for workers to recognize there is more income potential to be gained from working than there is to be derived from receiving welfare (Webster and Weeks, 1995).

Because the EITC is a program with a substantial impact on worker incentives, as well as the economy as a whole, it is reasonable that there is a plethora of empirical economic research aimed at mathematically evaluating the policy and, in turn, a number of studies that shed light on areas in need of improvement. For example, in “The EITC Disincentive: The Effects on Hours Worked from the Phase-out of the Earned Income Tax Credit,” Paul Trampe uses economic regression models
to express his point of view that the phase-out portion of the EITC schedule needs substantial revision. This article sheds light on one undeniable drawback in the EITC program that is, workers have a disincentive to work past the point that their income stops being subsidized by the government (Trampe 2007).

Like Trampe, Jeffery Liebman, in his article “The Optimal Design of the Earned Income Tax Credit,” notes some aspects of EITC policies that suggest reform is necessary. Liebman also uses economic regressions to assert a less than ideal perspective of the effectiveness of the EITC as it stands today (Liebman 2001). He claims that the overall efficiency of redistributing income through the EITC is fairly low because leakages that exist in the process.

In general, as explained above that a massive amount of funding is directed away from poverty alleviation towards bureaucratic budgets, Liebman explains that there is substantial deadweight loss from the transfers. Specifically, Liebman’s study finds that in 2001 it cost upper income taxpayers $1.88 to provide a transfer worth $1.00 to EITC recipients. Leibman also develops scenarios to illustrate labor supply choices and analyzes the optimal design of the EITC in the context of a simple static labor supply model (Liebman 2001).

Some of the criticisms from these scholars might be explained by the comment in a report by the Marguerite Casey Foundation: “Although the EITC has developed into a major program providing significant benefits for millions of working families, it has expanded ad-hoc . . .” (Marguerite Casey Foundation 2005, 5). This unplanned evolution of the policy also caused Professor Lawrence Zelenak to assert,
“Congress has never offered a coherent account of the purpose (or purposes) of the EITC, and the structure of current law does not suggest any well-defined purpose” (Marguerite Casey Foundation 2005, 5). The following recommendations include the past and current ideas purported to correct any faults of the policy that came about because of this lack of initial planning.

As policymakers have debated each welfare reform since 1935, it has been recognized that the signals provided to low-income individuals through public policies can substantially influence the social scene of the country. For example, in his article, “The Negative Income Tax and the Evolution of U.S. Welfare Policy,” Robert Moffit notes that, “theoretical literature on models of family structure generally supports the commonsense proposition that offering benefits only to one family type will increase the number of families of that type” (Moffitt 2003, 130). Taking this concept into consideration, the most recent welfare reforms have worked to align incentives provided by the EITC and other initiatives with the broad macroeconomic and social goals of the country. For example, recent modifications have made it so that the low-income workers who do not have children have recently become eligible for EITC cash assistance. This reduces the tendency for young women to have children outside of marriage just to receive the EITC. Better still, the recent reduction of the marriage penalty makes it less likely that single mothers will choose to avoid marriage marry in order to continue receiving welfare benefits (Moffitt 2003, 130).
Even after recent reforms, many legislators feel that current provisions for childless workers, the maximum set at $438 in 2008, is too small (Aron-Dine and Sherman). Policy makers who feel that it creates inappropriate incentives to have such a major difference between this cash assistance and the amount that is available if the worker has a child would like to see the benefits for childless workers expanded. Because of the incremental path of development that the EITC has followed to this point, and in light of the relatively minor expense that would be added through a policy reform to address this concern, it seems likely that the cash assistance for childless workers will be further increased in the future.

Another proposal that is being debated in terms of the incentives that are created by government policies is limiting the number of years that an individual may claim the EITC benefits. This proposal was considered and subsequently implemented by the Personal Responsibility & Work Opportunity Reconciliation Act of 1996 for general welfare policies. The current call for reform of the EITC is based on the arguments made by economists that, in the phase-out portion of the benefits schedule, workers have an incentive to reduce the number of hours they work in order to claim a higher amount of EITC cash assistance. Empirical evidence shows that low-income workers are aware of this flaw in the design and take advantage of the opportunity when they are able. In response, in 2003, Congresswoman Sue Myrick and Congressman Ernest Istook wrote a letter to the Republican leadership of the House of Representatives. The text of the letter suggested implementing time limits
for eligibility to receive benefits through the EITC, in order to remove the potential for abuse of the EITC program (Marguerite Casey Foundation 2005, 8).

One central feature of the EITC since its inception is "work requirements." A system that is organized with this structure requires the government to divide the population into those who can and cannot reasonably be expected to work. Once classified, those deemed "employable" are the only persons eligible for EITC benefits, assuming that they choose to work some minimum number of hours (Moffitt 2003, 131). The thinking behind the EITC takes this concept one step further to assert that individuals who are "employable," are also willing and able to work more hours, as this is the only means by which an individual can increase the tax credit that he or she receives.

Although the work requirement feature of the EITC has caused the policy to receive wide support, the large number of categories that are currently used in determining specific dollar amounts per worker requires implementation by a large bureaucratic organization. As a result, the expenditure per recipient is quite substantial. Moreover, although this was the outcome that the negative income tax proposed by Milton Friedman was designed to avoid, the current implementation of the EITC requires the government to be highly involved in regulating the lives of welfare recipients. Although a reform to implement a Friedman-style negative income tax would be inconsistent with the incrementalism path of development that the EITC has taken, it would greatly reduce the administrative cost of the welfare system.
Even if implementation of a true negative income tax could not be achieved, many policy analysts assert that the EITC could be effectively combined with other tax credits. Not only would this practice serve to reduce the burden imposed on bureaucratic agencies, the process of claiming multiple credits would be simplified. Because of the emphasis placed on the family structure in the administration of the EITC benefits, taxpayers who qualify for the EITC often qualify for the Child Credit and the Dependent Care Credit. This commonality makes it logical to combine these policy initiatives into a single Family Tax Credit, for example (Marguerite Casey Foundation 2005, 11).

One other way to reduce the bureaucratic effort required to administer the EITC would be the expanded partnership with community development organizations. The employees and volunteers of these organizations are excellent references for understanding the effectiveness of the EITC, identifying obstacles or inefficiencies of implementation, and determining how average citizens perceive the policy. Their frequent contact with recipients of welfare programs helps develop trust and credibility in the low-income community that is crucial in establishing a relationship and effectively increasing awareness about the EITC.

To be more specific, numerous community development organizations have expanded the types of services they offer to include free or discounted tax preparation assistance, check cashing services, and free bank accounts that enable low-income taxpayers to receive their refunds quickly through direct deposit (Marguerite Casey Foundation 2005, 11).
Foundation 2005). In the absence of these free services, low-income individuals often find it necessary to use a for-profit tax preparer, which results in a dramatic reduction in dollar amount of benefits that they receive.

More importantly, community development organizations can help EITC beneficiaries avoid falling prey to the predatory lending associated with refund anticipation loans. These loans provide advances on the borrower’s anticipated refund in return for outlandish interest rates. Not only are community development organizations well equipped to provide personalized and high quality assistance to those in poverty, the more they are encouraged to do, the less assistance is required from the government, thereby making great strides towards decentralizing entitlement programs.

Through incremental improvements to the policy, the EITC has gained popularity to a degree that it is now called a “critical tool for making low-skill work pay” (Aron-Dine and Arloc Sherman). In light of the bipartisan support that the EITC enjoys, it would serve as the best starting place from which to begin a reform of the welfare system with the ultimate goal of bringing this aspect of American government back towards the original intent of the founding fathers.

Conclusion

In sum, even though the foundation of American society is known to have produce rags-to-riches narratives, the brief history of the United States has seen repeated public cries for government to help equalize the economic conditions under
which all citizens live. At the very least, Americans want government to ensure that all who need assistance remain at a politically acceptable level of poverty. Despite what may have been good intentions with the development of the entitlement system in the United States, government transfers of wealth never had the ability to solve the problem of poverty. Welfare programs will always, as evidenced in Appalachia, subsidize poor decisions and trap generations of recipients into vicious cycles of dependence (Armey 2004). Over thirty years ago, President Jimmy Carter explained, “the welfare system is anti-work, anti-family, inequitable in its treatment of the poor and wasteful of the taxpayers’ dollars” (Rector 2001). Even with this knowledge, the United States policy makers continue to enlarge the number of welfare recipients and the benefits that they receive on a yearly basis (Rector 2001).

Despite the assumption of power by the centralized government to direct economic affairs, Washington has failed to provide for the general welfare. Perhaps the nation's initiatives would have achieved greater success if they had been focused on the promotion as opposed to the provision of welfare for American citizens, as would be compliant with the role of government as outlined in the Preamble of the Constitution.

This loss should be attributed to the flawed battle plan designed by Presidents Roosevelt, Kennedy and Johnson. Instead of focusing on what the government can do for people by means of handouts, “poverty can be defeated by fighting it with freedom” (Armey 2004). A return to the fundamental principals of the American founding would allow for this victory. Just as there were incremental changes that
took place to lead the American society towards one of more centralized planning than the founding fathers intended, so too must there be incremental changes to return America to the fundamental principles of economic freedom and personal liberty.
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