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Into The Wind...

Unemployment and Welfare Reform

by Lindsey Grant

The President is launching his effort to reform the welfare system in a society that is undergoing tectonic changes driven by population growth, technology and international trade arrangements. Problems that have been brewing for forty years are coming to a head, and welfare reform will not succeed unless it is seen in the context of the forces that generate unemployment.

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The Stacked Deck

The President hopes to submit proposals for welfare reform to Congress in early April. The general philosophy has been discussed by the administration, but the details have not been released. The reform will encompass the Food Stamp program and AFDC (Aid to Families with Dependent Children). It may perform include SSI (Supplemental Security Income) payments, since the Senate has just discovered that, unsurprisingly, SSI cash benefits are being used by recipients to support their drug habit.

Separately, the President on March 9th proposed a Re-Employment Act, intended to regularize unemployment compensation and consolidate some 150 governmental retraining programs. The welfare reform is priced (optimistically) at \$6 billion per year when it gets running, and the Re-Employment Act at about \$3 billion.

A Mouse by Any Other Name... There may be less here than meets the eye. Food Stamps and AFDC represent only the beginning of welfare and income support: about 15 percent of the total. There are literally hundreds of welfare and income transfer programs and vast bureaucratic structures to support them. The federal, state and local governments spend more than \$250 billion annually on those programs, by a very conservative estimate.¹ Social Security disability pensions. The Child Nutrition Act and National School Lunch program, Surplus Food for the Needy, and other nutrition programs for children, the elderly, pregnant women and mothers. The Comprehensive Employment and Training Act and other vocational rehabilitation programs. Community Services Administration programs. Subsidized housing programs of all sorts. Various Federal and state unemployment compensation programs. Job Training & Partnership Act programs and the Job Corps. Summer youth employment programs. The work incentive program. Assistance with heating bills. The College Work Study Program. The new National

Service Act for students. Not least, the IRS' Earned Income Tax Credit for poor working families, which quintupled to \$6 billion from 1985-1990 and has just been dramatically increased again. The agricultural price support programs started as a sort of welfare program and have gone awry, at a cost of some \$7 to \$17 billion annually. And so on. It would take a sweeping reform indeed to make a coherent program out of these pieces; it would cut across bureaucratic and Congressional fiefdoms and stir opposition at every turn.

Welfare and Unemployment. In its health care proposals, the Clinton administration is seeking to expand the coverage. In its proposals for welfare reform, it will be seeking to shrink the program by motivating or training people to get off welfare. It sounds easier.

It isn't. The financier Felix Rohatyn (best known for his role in rescuing New York City from bankruptcy in the '70s) recently asked what is the purpose of retraining and education if there are no jobs.² A very good point.

Our enthusiastic young President came along at a bad time. *He cannot deal with welfare in isolation from unemployment*, and unemployment in turn is linked to a synergistic set of fundamental changes that is driving unemployment upwards, worldwide. Those changes are

- a third world population explosion that has driven their working age population up by nearly 1.7 billion since 1950 and will add another 2 plus billion by 2025. It is causing a new Age of Migrations from farm to city, across national boundaries, and spilling over into the United States and Europe.
- a restructuring of world commerce that very nearly assures that wages in the high-wage countries will decline and unemployment will increase.
- a technological transformation of work that demands fewer and

fewer people just as there are more people competing for work.

- a social transformation that has expanded the work force as women seek employment and, with it, a sense of dignity and independence.

Let us take a closer look at each of those forces.

The Migration of the Hungry. World population growth accelerated around 1950. The peasants soon ran out of land and in desperation began to move to the cities or abroad. Central America provides a good example. By 1975, total arable acreage had stagnated, but population growth did not. The population is crowding into the cities, and the economically active population is increasing at a rising arithmetic rate: from 3 million in 1950 to 6 million in 1975, to 12 million on the way by 2000, with 24 million projected for 2025.³

The working age population of the so-called third world is rising more than 60 million each year and will continue to do so. The International Labor Office estimates that 30 percent of those in the worldwide labor force are not earning a minimal subsistence wage; most of them are in the third world.⁴ These are the forces that drive migration, and anybody who plans to address welfare without factoring in the migratory pressures is bound to fail.

The third world's problem becomes ours. U.S. population has risen by more than 100 million since 1950, 31 percent of the rise attributable to post-1950 immigration.⁵ The Census Bureau projects a population of 392 million by 2050, 50 percent larger than the present population. By that time, 86 percent of the growth will result from post-1992 immigration. The working age population (16-64 years old) is projected to rise 24 percent by 2025 and 40 percent by 2050. (These projections are optimistic; they assume an immigration probably lower than at present — nobody really knows the present level — while third world growth argues that immigration pressures will rise.) President Nixon a generation ago worried whether we could accommodate 300 million Americans. President Clinton needs to worry about employment and welfare for a population heading past 400 million.

Trade, Jobs and the Multinationals. Somebody remarked that the generals are always fighting the last war. The economists are still fighting the Great Depression. I came through that era, and I believed what was taught me: to hate the Smoot-Hawley tariff act, which helped to precipitate the Depression, and to believe that free trade is sacred.

Some economists are now questioning that faith, but they may be shooting at the wrong target. Japan's balance of payments surplus, associated with its unwillingness to play by open trading rules, has led some to suggest the possibility of managed trade. Japan is certainly a problem, but another much deeper structural problem — at least for those who are interested in the well-being of American labor — has arisen almost unnoticed: the role of the open world market itself, and of the multinational corporations (MNCs). They have fundamentally altered the world trading system, yet U.S. conventional wisdom is unchanged, and we are trying to play by the old rules.

The question is this: How do we live in a world with free movement of capital, technology, organizational and marketing systems, and goods — but not of labor? The multinationals can move to where the labor is cooperative, trainable — and cheap. Do we reconcile ourselves to meeting the competition and letting

third world labor prices dictate wages here? We know the world labor force will rise; the work force entrants of a generation hence are already born. With that sort of supply entering an already glutted labor market, we may be pretty confident that the downward pressure on wages already apparent in the U.S. and Europe will continue, and it in turn will magnify the need for welfare assistance. Food stamp recipients have risen to 27 million; they will continue to rise.

There is a standard answer to that. Look, they say, our balance of payments problems are with higher labor cost countries, not the poor ones. Look at the way our exports to Mexico have risen!

Look again. We generally ran a merchandise trade surplus with Hong Kong and Japan until the early 1960s, with Taiwan through the late '60s, with South Korea until the mid-'70s, with Singapore until the early '80s, and with China through the mid-'80s. NAFTA was justified in part on the grounds it will help Mexico modernize. If it works, be prepared for the competition.

The U.S. International Trade Commission (USITC) study that justified NAFTA, insofar as it dealt with U.S. labor impacts at all, assumed that the U.S. would keep the skilled jobs and Mexico the unskilled ones. Our experience should teach us the falsity of that patronizing assumption. The U.S. may well keep a leading role in cutting edge technology (if our universities don't go the way of our primary and secondary schools), but except for aerospace, the big net foreign exchange earnings are not in high tech products. To make automobiles or clothes or appliances, all the big corporations need is a place with a fair prospect of political tranquillity, a degree of protection against corruption, some infrastructure such as roads and harbors, and that cheap and trainable labor. And what does that portend for American wages and unemployment, and for welfare?

Technological Change. Technological displacement of labor has been around at least since the invention of the wheel, and it is a transitional price that humankind has paid for higher productivity and a better life. The problem right now is that it is happening very fast and it is paired with unprecedented population growth.

The problem has come home to the U.S. with a bang: computerization, new managerial techniques, automation, the movement of some industry overseas, and now the efforts of corporate America to control the costs of the President's health reform proposal, most of which he expects business to carry. They are downsizing to limit their vulnerability and contracting for temporary help when necessary. A private survey indicates that downsizing resulted in the loss of perhaps 740,000 jobs in 1993, with the prospect of more in 1994.⁶ The second biggest employer in the U.S., after General Motors, is Manpower, Inc., a firm that supplies "temps" to businesses. In this environment, even high-salaried people may come to need help.

Vassily Leontief years ago predicted the effects of the technological revolution. He observed that, with very high productivity, there are limits as to how many goods and services a society (I would add "or the environment") can absorb. The result is a small technological elite and a vast number of marginal service workers and jobless. He suggested that modern societies will either have to limit work hours or arrange for massive income transfers to those not in the system. The first proposal would be circumvented as workers moonlight to occupy their idle time. The second requires an expansion rather than contraction of welfare.

The Role of Women. Throughout the world — including the U.S. — the non-agricultural labor force has grown as more women seek paid work. One can hardly begrudge them the opportunity, since with it come self respect and a sense of independence. Experience suggests that the process leads to lower fertility, and this in turn may eventually slow down or stop the third world population juggernaut. The dilemma for the third world is that that process makes the immediate unemployment problem worse, even as it offers hope for its eventual solution. And the worse the unemployment, the greater the pressures to emigrate.

In the U.S., the biggest change has been in the proportion of young married women (20-44 years old) who are in the work force. Since 1960, it has grown from about 33 percent to about 70 percent. Some of that other 30 percent may still seek to enter, as declining real wages cause them to seek work to maintain family income.

The President's campaign promise to put welfare recipients to work is politically popular. Welfare is resented by both the donors and the recipients. The problem is that those four synergistic forces — population growth, the internationalization of production, technological change and the entry of women into the work force — are driving the nation in the opposite direction.

... and What Happens?

The First Post-World War II Crisis of the Industrial World. Unemployment is approaching crisis levels through most of the industrial world. The rate for the European Union is 10.9 percent, over 20 percent in Spain and nearly that in Ireland. (No wonder Senator Kennedy tries to facilitate Irish immigration.) Unemployment has passed four million in Germany. The unemployment is not transitory; nearly half the unemployed have been out of work for a year or more.

The Italian Minister of the Interior warned last summer of the danger of urban riots if the unemployment crisis continues. The U.S. Undersecretary of the Treasury has warned of a "huge increase in global unemployment" and said the "administration's top economic priority (is) restoring job creation in industrial countries."⁷ The Managing Director of the International Monetary Fund warned that high and rising unemployment is a "devastating trend", but had nothing to offer but trade liberalization (which I have suggested is part of the problem), lower interest rates (which raise the specter of re-igniting inflation) and lower budget deficits.⁸

The Europeans' problem is much like ours. They do not see

Europe as a region of immigration, but a new study suggests that immigration into European countries, adjusted for population size, has generally been higher than ours.⁹ As with the U.S., the glut of labor exacerbates a difficult technological and social transition. The response has been swifter. Germany amended its constitution to slow the rate of immigrants. France, Switzerland and others have passed tough new immigration laws. Even traditionally receptive Sweden has stiffened its procedures as boat people from Asia via Russia have been landing on its shores.

Japan has the least immigration and the lowest unemployment in the industrial world. It is not immune as lower wage countries out-bid its now-expensive labor, but Japan is not squeamish about finding ways to limit imports.

The Crisis in the U.S. We console ourselves with the official statistic: the unemployment rate here is only 6.7 percent. Nonsense. That figure helps us ignore the scale of the problem. It counts only active job applicants, not "discouraged workers" no longer beating the streets for jobs. For a more realistic look at what is happening, look at the proportion of those of working age who do not have jobs. Even worse, look at the young. People who

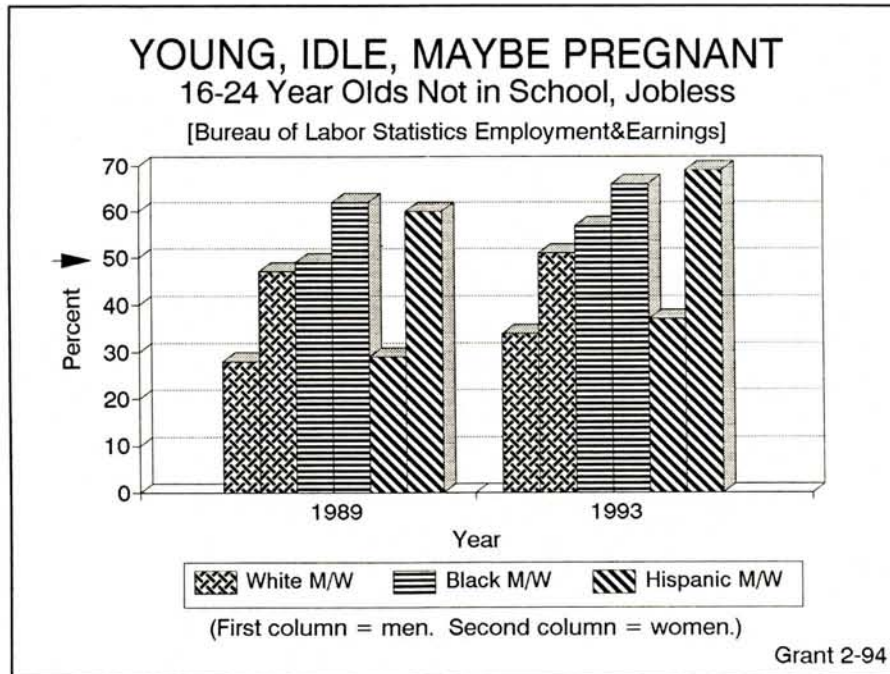
cannot find a job by the time they are 24 are probably going to wind up defeated, resentful, alienated, and perhaps violent.

The first graph is about the young people who are not in school, not in the military, and not already in prison. The proportion who do not have regular jobs ranges from 34 percent for young White men to 69 percent for young Hispanic women. Granted, some small proportion, particularly of the women, may be home makers or voluntarily living with their parents and not working, but by and large, these people have been excluded by the system, or have simply not tried to join it. They are getting by on crime and whatever scraps they can earn in the "informal economy". As the comparison with 1989 shows, the problem is not just bad; it is rapidly getting worse. Don't just think of the social costs. Think of the wrecked lives.

With statistics like that, we are not going to reform welfare by simply getting deadbeats off the rolls.

The Ad Hoc Responses

The "Group of Seven" industrial nations (G-7) met in Detroit in March and offered old nostrums for a new problem: economic growth, more trade, and the admonition (expressed by Secretary Bentsen in behalf of the group) to "workers everywhere to recognize the benefits, and not just the pain, from rapidly advancing technology".



President Clinton's March 14th address to the G-7 was particularly revealing of his mindset: "There is no rich country on Earth that can expand its own job base and its incomes unless there is global economic growth. In the absence of that growth, poorer countries doing the same thing we do for wages our people can't live on will chip away at our position. When there is a lot of growth you can be developing new technologies, new activities and new markets. That is our only option." Somebody should tell the President that perpetual growth is impossible on a finite planet. We must find other solutions.

Others in Europe have proposed a deliberate erosion of Europe's high wages, benefits and health care, and a shorter work week to spread the work. The President has taken up the last idea, and one part of the Reemployment Act would encourage employers to shorten working hours rather than discharging workers (which is precisely contrary to employers' present policy.)

One or two leaders have suggested the unthinkable. A senior official of the OECD, refusing to be identified, said that protectionism, "silly" as it is, may be better than a "social explosion" in the industrial world.¹⁰ The French President, picking up a theme never very far from many French minds, has called for higher European trade barriers against competition from low wage countries.¹¹ The OECD Trade Union Advisory Committee has called upon governments to slow or cushion the internationalization of trade and capital flows.¹²

None of these people suggested that population growth, the resultant migration and job competition have any bearing on the problem — this despite the fact that in almost all of the industrial world immigration has become an intense political issue.

In a patchwork way, the U.S. Government is beginning to address some of the issues, but it has yet to put it all together.

Education as a Solution. The President and his welfare task force put their faith in education and training.¹³ The U.S. has sunk to a miserable condition. A recent Department of Education survey indicated that one-quarter of adult Americans could hardly read and could not add. (Among them, 25 percent were immigrants still unfamiliar with English.) Another quarter could do basic addition but little more.¹⁴ There is good reason for the new emphasis is on education and (one hopes) on finding ways to motivate the young. We would not be competitive with societies where the young are still motivated to learn, even if there were no wage differential. The wage differentials are there. They are enormous in many third world countries, and they beckon manufacturers abroad.

The President should heed Felix Rohatyn's question (which even Secretary Bentsen mentioned at the G-7 conference). Education and job training are essential in the modern world labor market, but they are not a sufficient solution. Even the skilled are losing jobs.

Trade and Investment. Mr. Clinton, Meet Mr. Clinton. The ad hoc nature of our policies is strikingly evident in our trade policy. In his 1994 State of the Union Address, the President said "We can't renew the country when our businesses eagerly look for new investments and new customers abroad, but ignore those people right here at home who would give anything to have their jobs and would gladly buy their products if they had the money to do it." (He was applauded.) Why didn't he think of that when he was twisting arms to pass the NAFTA treaty, much of which is

devoted to facilitating the movement of U.S. investment capital into Mexico?

My concern is not for the multinationals. They may well profit from moving to Mexico, at least in the short run. I am worried about whether the government of all the people should be investing its effort in facilitating that capital movement.

Whether or not the nation takes action on the problem of immigration, the downward pressure on wages will continue with free trade until U.S. wages are so bad they are competitive, or until some distant millennium when third world population growth is under control and wages have risen to decent levels.

Trade is a particularly tough nut, conceptually. A sharp rise in U.S. tariffs would plunge many exporting countries in turmoil. It would also raise prices in the U.S. and exacerbate unemployment in our exporting industries. Whether or not we would like to address it, however, our hand may be forced by European and Japanese actions. We need a new look at the human effects of our trade policy, unencumbered by shibboleths about free trade. If we try to survive as the last bastion of free trade in the industrial world, the pressures on our jobs will rise, unemployment will go up, and welfare reform will go a'glimmering.

Perhaps we need some sort of managed trade policy, much as it will offend the orthodox. Perhaps a solution lies in some sort of agreed "wage differential tariffs" keyed to the labor content of the product. In any event, the government must take a new look at trade policy before it has much hope of containing unemployment or the expense of welfare.

The Third World Population Bomb. We should help the exploding nations bring population growth under control. We would help ourselves as we helped others to reduce fertility and the pressures to migrate. Eventually, we would mitigate the competitive pressures in the U.S. for jobs. But that is a long process.

The government has begun, finally, to take the international population issue seriously. State Department Counselor Tim Wirth says that "If we can't stabilize the world's population, we're not going to be able to control any other problems." Population assistance has doubled in this administration, and the 1995 budget will include nearly \$600 million for population programs. A good start, but still only about 4 percent of all foreign aid.¹⁵

The "New Look" Foreign Assistance Policy. The administration has sent Congress a proposed new policy on foreign assistance, based on the catchwords "promoting sustainable development", "promoting democracy", "promoting peace", "providing humanitarian assistance" and "advancing diplomacy". Population is prominently featured under the first rubric.¹⁶ It remains to be seen how much of this will eventuate in real programs. The real priorities are seen in the numbers, and for years about half of the money has gone to Israel, and to Egypt for making peace with Israel.

I am not optimistic that domestic political realities will allow those priorities to be shifted very much. Nonetheless I believe we need to take Counselor Wirth's proposal another step: make family planning and family health and the status of women the top priority for foreign aid. Money does not come cheap to the U.S. Government nowadays, and foreign aid has long been under pressure. This is a focus that would justify itself in terms of the recipients' long term good and ours. We are no longer in a position to

fill investment gaps abroad. World Bank and other studies suggest that meeting the unmet demand for family planning would cost far less than the U.S. spends now on foreign assistance.

We need revised priorities in foreign aid.

The Immigration Problem. As a nation, we will need to make a very tough decision: do we want to try to preserve American jobs and wages, if that means a tougher view of immigration and the willingness to be a relatively prosperous island in a world of intensifying poverty? It is not an easy choice, but it must be made, and acted on.

There is a tremendous inertia in our decision processes. The graph below gives one dramatic example. With job growth stagnant and the U.S. working age population growing by 1.5 million per year, wouldn't a rational society avoid intensifying the competition for those jobs? Yes, but decisions in this country are not made rationally. They are made in different cubbyholes in Congress and the executive branch, and such questions don't get asked.

As the second graph shows, our immigration policy introduced many more job applicants into the economy in one year (FY1992) than the 256,000 jobs created by the economy in three years of stagnation.¹⁷

These disconnected decisions pervade our immigration policy.

The administration is equivocating. Attorney General Reno has responded to rising criticism by making some administrative changes and proposing a 22 percent increase in the Immigration & Naturalization Service (INS) budget for FY 1995, but at the same time she says that "the administration is committed to maintaining the U.S. tradition of liberal immigration policies... we will not permit this cherished tradition to be jeopardized by weakness in enforcing our immigration laws."¹⁸

It is curious that the Attorney General is so committed to a "tradition" that has existed fitfully, and is partly fanciful. During some periods (e.g. the '20s through the '50s) immigration laws were rather restrictive. They have been growing increasingly liberal since the '60s, but not because of popular demand, which for years has been consistently in favor of greater restrictions. The enthusiasm for liberal immigration is perhaps a reaction to a curious combination: special interests, and an academic climate in which immigration is politically correct.

Several scholars and think tanks (notably the Urban Institute) have for years tried to prove that immigrants do not displace unskilled U.S. labor (a counterintuitive proposition to begin with,

and one on which there is plenty of contrary evidence¹⁹) and that they contribute more in taxation than they take out in welfare. This latter debate is especially silly, because it is irrelevant. Taxes do not simply pay for welfare. They pay for environmental protection, roads, the administration of justice, national defense, public land management, education, public libraries, police protection, public hospitals, street cleaning, and all the other services that government provides. Taxpayers who do not cover their share of those burdens, aside from any welfare they may draw, are not carrying their part of the load. Nobody has argued that recent immigrants carry that burden, but this is hardly a cause for blame. The poor, by and large, do not pay their "share" of taxes, and

most immigrants are poor; that is why they had to leave home.

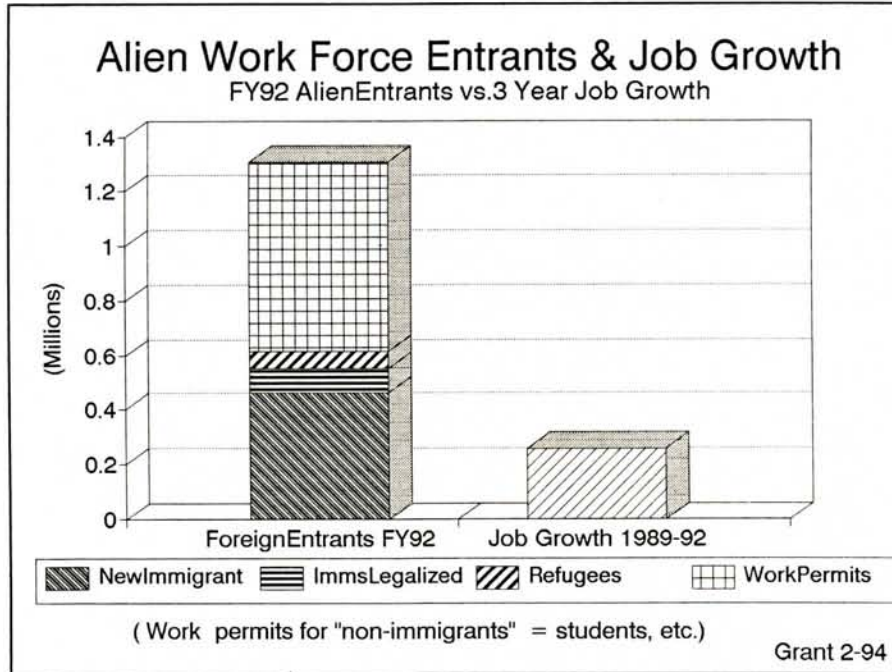
The governors of California, Florida, New York and Texas, who must meet the bills, have pretty well ended the argument that current immigrants are on balance net contributors to state and local government. (The governors are demanding federal help, since it is the federal government that is responsible for controlling immigration.) But the same academics now argue that yes, immigrants are a net cost to the states, but that on balance they

contribute to the federal budget. When the facts are obscure, one tends to "prove" one's preconceptions.

Perhaps we need to say again that the argument is not against immigrants; it is about numbers. Immigrants (who include all our ancestors) have made great contributions to America. Uncontrolled immigration exacerbates the unemployment and social problems we presently face. The two statements are compatible.

The President is not going to get very far with unemployment or with welfare reform until he faces the issue. Immigration will not long be hindered by the tragi-comic game of Border Patrol agents chasing desperate would-be immigrants. The Refugee Act of 1980 needs a thorough new look. The Immigration Reform and Control Act of 1986 (IRCA) was effectively gutted by making it almost impossible to know who is here illegally, and it is riddled with fraud. It needs to be revisited. There is no effective control over immigration by those who overstay their nonimmigrant visas. The Immigration Act of 1990 led to at least a 40 percent increase in annual immigration. It should be undone.

There is legislation before Congress that would do much to bring immigration under control. Senator Harry Reid (D/NV) has introduced a bill (S1351) which would lower legal immigration to about one-third its present level, create better identification procedures, and make the immigration laws enforceable. A companion bill (HR3320) has been introduced into the House by



Congressmen Bilbray (D/NV), Hunter (R/CA), Lehman (D/CA), Goodlatte (R/VA) and Traficant (D/OH).

The administration should consider endorsing that legislation, rather than dancing around the immigration issue to the tune of the interest groups that like it as it is.

Perhaps there is hope. Bruce Reed, co-chairman of the welfare task force, was pressed by reporters as to why it is planned to give better treatment to the U.S. citizen children of illegal alien parents than to U.S. citizen parents. He finally said: "The most important thing we can do to prevent such cases is to strengthen our border patrol efforts.... It's a tough issue and the best way to deal with it is to keep people from coming here illegally in the first place."²⁰

Jobs, Self Respect, Fertility — and Competition. There are now about 5 million people on Aid to Families with Dependent Children (AFDC) — almost all of them single mothers — plus about 10 million babies and children.²¹ Welfare reform is supposed to get these mothers off the rolls, but from the women's perspective there are a lot of reasons to have a baby and become entitled: a monthly paycheck; entitlement to Medicaid; help with other welfare programs such as housing. In that world, there is not much incentive to go out on the economy — despite the President's exhortations — and very little they can do. The young women on AFDC are probably largely unemployable in this technological society. One estimate is that only one-fourth of them could pass the IQ test for the U.S. armed forces.²²

An internal government study, quickly squelched, estimated that 2.3 million new jobs would be needed to accommodate welfare recipients pushed off the rolls after two years.²³ (Subsequently, the welfare task force has decided to introduce the work requirement gradually, starting only in 1999, and only for those born since 1972.) Whatever the figure, much of it will be make-work jobs, and this raises some social questions. Are the young mothers really better off with such an arrangement? Are their children, if they must be put in creches so their mother can work?

If the young women do get real work, they are probably competing with somebody. As with the comparable problem in the third world, this is something we must simply factor into our calculations, but it doesn't make welfare reform any easier.

I would argue that the best solution is a slow one, and it requires restructuring welfare so that lower fertility is rewarded. As a beginning, the Surgeon General has pointed out in sulphurous language that the welfare problem would be smaller if Medicaid funded family planning to avoid unwanted children.²⁴

Perhaps we are in for a pleasant surprise. An unidentified source in the welfare task force has said that one of the ways to shrink the AFDC rolls will be to mount "a campaign against teenage pregnancy".²⁵

The government speaks bravely of educational reform; it will become a lot more practicable if the numbers of children decline and the per capita effort can be increased, and it will be much more successful if gradually the competition for jobs is reduced by a decline in fertility.

Any policy of discouraging high fertility must be across the board. It cannot be targeted simply at the poor. Perhaps the time

has come for encouragement of "the two child family." If so, we are backing slowly into ...

A U.S. Population Policy. U.S. population growth affects most of the social and environmental goals we espouse, not just welfare. The advantage of an overall population policy is that it would provide a broader and more appealing rationale than simply cutting welfare costs.

A population policy doesn't just mean platitudes about "slower growth". It means a policy that integrates immigration policy with a systematic process to assure that our national policies encourage lower fertility.

The U.S. Government has views about other countries' population policy but has never had a policy for the United States. It is probably too much to expect the President to adopt an explicit population policy, although the Vice President would see the need for it.

A Question of Identity. We must think about practical measures to create a better system of identifying people. There is no constitutional right to be unidentifiable, and it is an expensive luxury.

Necessity is slowly driving the government to do piecemeal what it should do as good policy. Already, the President has rather reluctantly agreed that his health care program will not work without a way of identifying those eligible. Otherwise, we will find ourselves undertaking to treat a lot of people who will come here for the purpose. The Food Stamp program is looking toward tamper proof identity cards as a way of reducing fraud, and Texas is prepared to experiment with a plastic "credit card" for that purpose. The Attorney General proposes to make legal residents' "green cards" less easily falsifiable.

A tamper-proof system of identification, perhaps combined with a call-in verification system such as credit card issuers have perfected, would be a significant welfare reform in itself, since it would help to identify those ineligible. More important, it would make possible for the first time the effective application of the Immigration Control and Reform Act of 1986, which forbids the hiring of illegal aliens; this would reduce the rate of growth of the labor force and the pressures on existing jobs. It would have side benefits such as the better identification of criminals and tax evaders and a new Census enumeration process that might really tell us how many people there are in the U.S. The time has come for the government to bite the bullet on this one, rather than nibbling at the edges. The government is going to need all the savings it can find, and we cannot squander the job opportunities that exist.

The Conundrum of the Whirlpool

Our social system is coming apart in complex and interrelated ways that our decision processes are simply not prepared to deal with. The budget deficit. Our growing indebtedness to the rest of the world and our own rich. The cities. The decline of wages. Job uncertainty even among groups that had felt themselves secure. The breakdown of law. The rise of crime. The wanton destructiveness by wasted youth. The loss of the family and the destruction of traditional anchoring values.

We are in a whirlpool, and those elements of decomposition are synergistic. We cannot, as we have done before, undertake to deal with them in isolation. The Government is trying to shore up

one crumbling structure after another when it needs an overarching vision of what the nation must do and what we can afford to do.

The solutions themselves may be compromises that, as a nation, we did not expect to have to make. The illusion of omnipotence and unlimited possibilities began to crumble sometime in the '70s, and it will not come back.

My beat is population, not welfare. As I look at the connections, however, the rough outline of a workable welfare / unemployment policy emerges, and I will try it out on the reader who has accompanied me this far:

1. Universality. Competition may be eroding traditional American generosity, but as a civilized society, we cannot let our fellows starve or freeze on the streets.

2. Modest expectations. The industrial world has experimented in the past several decades with the height of the "safety net". Some, like Sweden, have almost obliterated the differential in living standards between those who work and those who don't, and they are finding they cannot support the net at that level. We may need to experiment with simpler solutions than the law now provides, such as soup kitchens and the simplest of accommodations. Hong Kong in the 1950s helped to accommodate a flood of refugees from China in the simplest and least destructible of buildings, with a central plumbing core and cubicles to live in.

3. Realism. The pressures will continue. Welfare and unemployment are not temporary conditions. They need to be treated together as aspects of the same worsening problem. Narrow solutions will not work. Even education is not the answer if there are no jobs. The street kids are not irrational; they play the cards as they see them, and their estimate of their prospects in the main stream is not far from right. The young mothers are not competitive in this society, and they probably know it and hang on to what they can get. In short, let us face the expectation that the market is not going to produce enough jobs, and that this society is going to need a massive and continuing program of "make work jobs" — some sort of National Service Corps.

4. Dignity. Dependency degrades people. There is much that needs to be done in this country, even if doing it cannot command a competitive wage. Look at our cities; or remember what the Civilian Conservation Corps (CCC) did in planting trees and improving our forests in the 1930's. Our parks, public lands and national forests could use help. Everybody who is not completely disabled should have a job if they want it, and participation should be the key to remuneration. Responsibility begets responsibility. Young people would be less likely to trash urban parks if they had helped build them.

Above all, consider our children. One of the primary functions of our social species is the social rearing of the young. That responsibility has been neglected as women have moved into the job market, and "latchkey children" are a major national problem. The young mothers (and indeed fathers) could serve in supervised creches, learning to take care of their children and those of the people who go off to work. The administration plans to spend billions more on child care, anyway; it should be part of a larger plan.

The supervisors should be members of the Service Corps, not members of a separate bureaucracy. This would get rid of the handout mentality, and trainees who showed promise could work their way up. In the same way, education and training opportunities should be offered through the corps. Bringing in the upward-

ly mobile would remove the stigma, and the corps would be seen as a stage of life through which many successful people pass — and perhaps even as a period of real national service.

5. Simplicity. We need to rationalize the present Rube Goldberg contrivance of programs into something more equitable and understandable, and one which does not put the recipient at the mercy of the administrator. As a starter: if we made the public food and lodging arrangements simple enough, those who could afford to would stay out of them, and they could be offered without a means test. All those welfare workers chasing around trying to enforce the rule against a "man in the house" could be put to better uses. One demeaning aspect of AFDC would be eliminated, there would be fewer single mother families, and kids would have a father — which would generally be good for the fathers, the children, the mothers and probably society itself.

6. Toughness. This may sound a bit too much like an idyll. The Chinese did not trash those Hong Kong housing units I described — but the Chinese had more social self-discipline than is presently evident in our society. I can hardly forget the vivid newsreel of the demolition of the Pruitt-Igoe project in St. Louis, which had been made uninhabitable by its inhabitants. Street sleepers stay out of shelters for fear of what goes on inside. To make anything work in our demoralized society, we will need to become much less tolerant of anti-social behavior. There are laws; we will need to enforce them, even if this requires the segregation of the incorrigible.

7. — and Generosity. Some but probably not all the cost could come from the \$250 billion or more spent on the existing hodgepodge of welfare and unemployment compensation programs. We may need to look beyond it to Leontief's proposed social transfers. We may need to transfer more resources from those in the system to those who have fallen out of it. With a labor glut, skills are not rewarded. U.S. labor productivity has been rising even as wages have been falling. If indeed the nation decides to provide some protection against low wage imports, it is entitled to expect business to return some of the windfall. The rich have been getting richer as the poor have gotten desperate. This has got to stop.

Those who know welfare better than I are urged to put together their own outlines. I offer one caveat: that any proposal must address the fateful synergy as a whole.

Successful welfare reform is rooted in dealing with unemployment, and unemployment in turn is generated by the forces that I described at the beginning. We have only limited flexibility to adjust foreign trade and investment policies without jeopardizing the benefits of world economic arrangements. We would be ill-advised to attempt the Luddite maneuver of trying to stop technological advance. We would not want to hinder the progress of women into the job market, because training will work only if there are jobs available at the end of the process.

And that means we must take on the least discussed of the causes: population growth, and its two sources, migration and fertility. With the will, we could rewrite our foreign assistance priorities and revitalize foreign aid by a shift in resource use rather than new expenditures. Similarly, we could address immigration and domestic fertility; it is a matter of will and policy rather than another drain on resources.

We must look squarely at the impacts of immigration, of unwanted children and indeed of fertility. Without a policy on these issues, there is no way that the government can simply get people off welfare without tremendous human costs.

NOTES

1 *U.S. Statistical Abstract, 1993*, Tables 579 and 583 give the totals of federal, state and local benefits for persons with limited income plus certain unemployment and non-medical workers' compensation programs under "Social Welfare Expenditures" as \$255 billion in 1990. (The total does not include medical or retirement plans, veterans' and military dependents' assistance programs, or subsidies such as agricultural price supports, or [for the most part], the administrative expenses of running the programs.) Of that, \$37.5 billion went to Food Stamps and AFDC.

2 Herbert Rowen "How to Create a Million New Jobs", *Washington Post*, 11-15-93. Rohatyn advocated a huge public works program to be financed with a gasoline tax.

3 Robert W. Fox, "Neighbors' Problems, Our Problems", Chapter 18 in Lindsey Grant et al *Elephants in the Volkswagen* (New York: W.H. Freeman, 1992.)

4 Rich Miller, "World Economy Faces Jobs Crisis, UN Agency Says", Reuter, Washington, 2-2-94, 11:07:00, quoting a new ILO report titled "Defending Values, Promoting Change".

5 Leon Bouvier and Lindsey Grant, *How Many Americans?* (San Francisco: Sierra Club Books, publication scheduled July 1994), Table 2.1

6 The consulting firm Challenger, Gray & Christmas runs periodic surveys and counted 615,186 jobs lost in 1993 and 108,946 in January 1994 alone. They estimate that they missed 20 percent more. Quoted by Frank Swoboda, "U.S. Companies Speed Pace of Downsizing" (*Washington Post*, 2-8-94.)

7 AP, Washington, 9-24-93, 17:57 EDT.

8 Reuter, Washington, 9-24-93, 20:30.

9 David E. Bloom & Adi Brender, *Labor in the Emerging World Economy* (Washington: Population Reference Bureau, Population Bulletin Vol.48, No.2, October 1993), Table 9. Part of the discrepancy probably results from better European data, and part of it is a matter of definition of "immigration", but it is a surprising compilation nevertheless.

10 Alan Wheatley, "OECD Fears Social Explosion from Unemployment", Reuter, Paris, 6-1-93, 11:24:00.

11 Reuter, Paris, 6-18-93, 10:25:00.

12 Alan Wheatley, "Unions Say 'Yes, but' to OECD's Jobless Cure", Reuter, Paris, 6-3-93, 07:03:00.

13 AP, Washington, 2-5-94, 09:05:00.

14 Reuter, Washington, 9-8-93, 11:37:00.

15 AP, Washington, 2-5-94, 09:14:00.

16 John M. Goshko and Thomas W. Lippman, "Foreign Aid Shift Sought by Clinton", *Washington Post* 11-26-93.

17 For the derivation of the "Foreign Entrants" column, see my NPG FORUM article *A Beleaguered President, A Fizzled "Economic Stimulus Package"*, and a *NAFTA Time Bomb*, May 1993, note 12. The Bureau of Labor Statistics estimates that 57 percent of new immigrants, refugees and legalized alien residents are in the work force, plus all of the non-immigrants who apply for temporary work permits. The estimate is necessarily imprecise. Some of those legalized or given work permits were probably already holding jobs. On the other hand, the figure does not include FY1992 illegal border crossers and those on non-immigrant visas working illegally. Job creation data from *U.S. Statistical Abstract, 1993*.

18 William Claiborne, "Administration Unveils Plans to Beef Up Border Control", *Washington Post*, 2-3-94.

19 For a survey of studies on displacement and wage impacts, see Donald L. Huddle, *Immigration, Jobs & Wages: the Misuses of Econometrics* (NPG FORUM paper April 1992. For studies of the displacement process itself, see Huddle's *Immigration & Jobs: the Process of Displacement* (NPG FORUM May 1992) or various studies of the process in California lemon groves by Philip L. Martin, Univ. of California, Davis.

20 AP, Washington, 3-11-94, 10:55:00.

21 AP, Washington, 6-1-93, 20:31 EDT.

22 "Fixing the Welfare Mess", *U.S. News & World Report*, 12-13-93, quoting "a recent study by LaDonna Pavetti."

23 AP, Washington, 1-30-94 15:50 EST.

24 Surgeon General Jocelyn Elders, herself Black, said that Medicaid must have been "developed by a white male slave owner", because nobody else would want to encourage the proliferation of healthy, pregnant and unemployed young women. AP, Washington, 2-25-94, 22:16 EST.

25 AP, Washington, 1-30-94, 15:50 EST.



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