

# The *Conservative* Case for a Child Allowance



Samuel Hammond & Robert Orr

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February 2021

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## **Acknowledgements**

The authors would like to thank the Rockefeller Foundation, the Annie E. Casey Foundation, and the Robert Wood Johnson Foundation for their generous support of the Niskanen Center's program on Poverty and Welfare Policy. The views expressed in this paper are the authors' own. Layout and design by Samuel Hammond.

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# Introduction

*“Children are a gift from the Lord;  
they are a reward from him.”*

Psalm 127:3  
New Living Translation

**T**he United States has the highest post-tax-and-transfer child poverty rate of any country in the developed world. While many factors can affect poverty, a cross-national perspective reveals the rather straightforward reason why: our relative lack of spending on children and families.

The United States spends only 0.7 percent of GDP on family social expenditures, of which the share devoted to cash benefits, 0.1 percent of GDP, is the lowest of any country in the Organization for Economic Cooperation and Development. The United States would need to increase cash transfers to children and families by approximately \$200 billion per year to merely match the cash benefit portion of the OECD average.

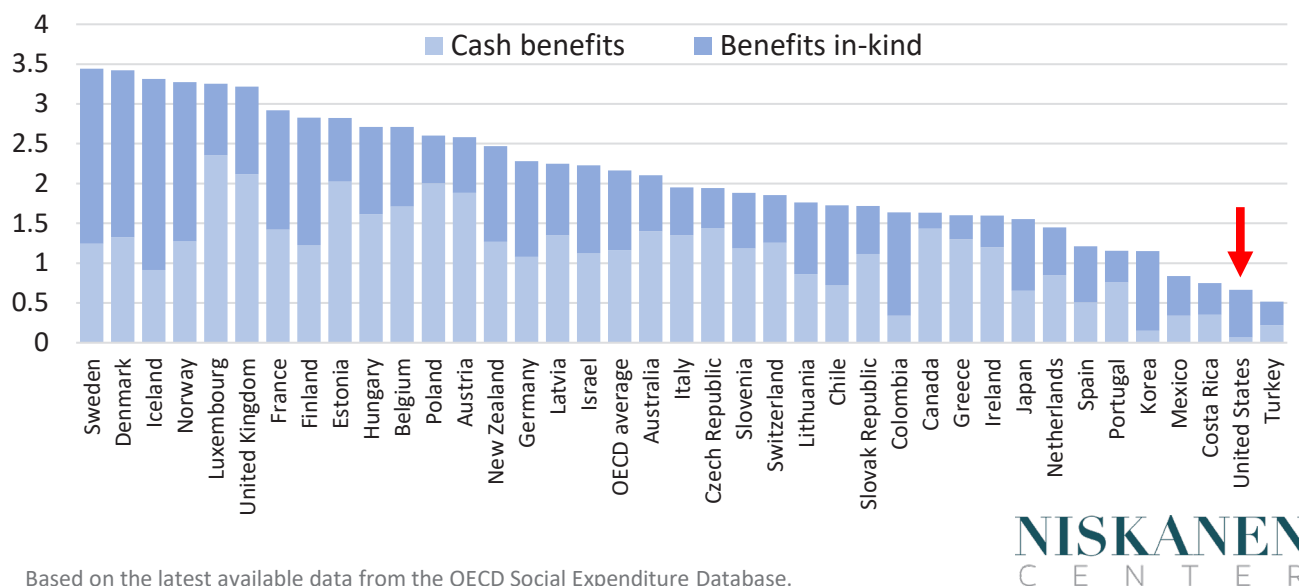
At the same time, the institution of American family has never looked weaker. Family formation and marriage rates have declined substantially over the last four decades, with the largest declines concentrated in the middle- and working-classes.<sup>1</sup> The U.S. fertility gap — the difference between desired and actual fertility — has crept steadily higher,<sup>2</sup> at least in part due to the rising costs of core goods like

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1 Richard V. Reeves and Christopher Pulliam, “Middle Class Marriage Is Declining, and Likely Deepening Inequality,” Brookings Institution, March 12, 2020, <https://www.brookings.edu/research/middle-class-marriage-is-declining-and-likely-deepening-inequality/>.

2 Lyman Stone, “How Many Kids Do Women Want?” Institute for Family Studies, June 1, 2018, <https://ifstudies.org/blog/how-many-kids-do-women-want>.

## Social Expenditures on Family as a Percentage of GDP (2017)



Based on the latest available data from the OECD Social Expenditure Database.

housing and child care.<sup>3</sup> In 2019, the U.S. birth rate fell for the fifth consecutive year to its lowest level in 35 years,<sup>4</sup> and it looks destined to fall even lower given estimates that the so-called “COVID Baby Bust” will lead to somewhere between 300,000 and half a million fewer births than expected.<sup>5</sup>

In this report, we argue that the U.S. should enact a universal child allowance as the appropriate and philosophically conservative policy response to these twin crises. While far from a *sufficient* solution to either child poverty or family instability, we believe a child allowance is at the very least a *necessary* one — and long overdue at that. With careful design, the enactment of a child allowance would also create the conditions necessary to consolidate a variety of less effective policies and programs, including those known to encourage dependency and penalize marriage.

The United States has never had a universal cash transfer for children or families. Instead, we have historically relied on a two-tiered approach: means-tested social assistance for the poorest families and children, and a simple, per-child tax credit for just about everyone else. Tax credits are not counted in the OECD’s measure of family social expenditures, and as such America’s *effective* spending on children and families is likely understated. This is cold comfort, however, when one considers

3 Lisa J. Dettling and Melissa Schettini Kearney, “House Prices and Birth Rates: The Impact of the Real Estate Market on the Decision to Have a Baby,” NBER Working Paper 17485, National Bureau of Economic Research, October 2011, <https://www.nber.org/papers/w17485>.

4 Richard Franki, “US Fertility Rates Fall to Record Lows,” Medscape, July 26, 2020, <https://www.medscape.com/viewarticle/930947>.

5 Melissa S. Kearney and Phillip B. Levine, “The Coming COVID-19 Baby Bust: Update,” Brookings Institution, December 15, 2020, <https://www.brookings.edu/blog/up-front/2020/12/17/the-coming-covid-19-baby-bust-update/>

the limited value of a tax credit for a family without significant taxable income — a population that includes both poor and working-class households, as well as young families where the parents are simply too early in their earnings lifecycle to benefit.

The easiest way to rectify this would be to make the existing Child Tax Credit (CTC) “fully refundable.” This is tax policy jargon for making the credit fully available to all households with eligible children, independent of their earnings. The Niskanen Center

“...the time is right to replace the Child Tax Credit with a bona fide child allowance.”

has been a leading advocate for a fully refundable CTC since the publication of our 2016 white paper, *Toward a Universal Child Benefit*, which proposed a fully refundable \$2,000 child benefit paid for by consolidating other, less effective programs.<sup>6</sup>

Following our 2016 paper, the existing CTC was doubled from \$1,000 to \$2,000 as part of the Tax Cuts and Jobs Act of 2017, but unfortunately the improvements to refundability were marginal.<sup>7</sup> Nonetheless, addressing child poverty is such low-hanging fruit in the U.S. that, by our estimates, even this modest increase in refundability lifted some 750,000 additional persons out of poverty, half of whom were children.<sup>8</sup> With a pandemic ravaging the country and putting financial and psychological strain on families with infant and school-aged children in particular, we believe the time is right to finish the job.<sup>9</sup> Indeed, much has changed in the nearly five years since our original proposal was published, causing us to set our sights higher.

To start with, we believe the conceit that the CTC represents a “tax cut” should finally be dropped once and for all. As Niskanen Center Senior Fellow Joshua McCabe details in *The Fiscalization of Social Policy*, the CTC became popular among social conservatives as a way to support families without violating the “small government” shibboleths of the Reagan-era Republican coalition.<sup>10</sup> While at least 21 of our peer countries adopted universal child and family allowances according to the logic of “income supplementation,” policymakers in the United States were forced to shoehorn this country’s equivalent child benefit into the logic of “tax relief.” The

6 Samuel Hammond and Robert Orr, “Toward a Universal Child Benefit,” Niskanen Center, October 25, 2016. <https://www.niskanencenter.org/universal-child-benefit/>.

7 Elaine Maag, “The TCJA Didn’t Change Child Benefits For Most Families With Children By Very Much,” Tax Policy Center, October 8, 2019, <https://www.taxpolicycenter.org/taxvox/tcja-didnt-change-child-benefits-most-families-children-very-much>.

8 Robert Orr, “The Impact of the 2017 Child Tax Credit Expansion Was Larger than Anyone Expected,” Niskanen Center, December 19, 2019, <https://www.niskanencenter.org/the-impact-of-the-2017-child-tax-credit-expansion-was-larger-than-anyone-expected/>.

9 Robert Orr, “How to Help Families Recover from the Pandemic Disaster,” The Hill, January 12, 2021, <https://thehill.com/blogs/congress-blog/politics/533897-how-to-help-families-recover-from-the-pandemic-disaster>.

10 Joshua McCabe, *The Fiscalization of Social Policy* (New York: Oxford University Press, 2018).



tradeoff for this rhetorical sleight of hand was the foreclosing of benefit eligibility for the poorest American children. It also meant the job of administering the benefit would be foisted on the Internal Revenue Service, which was never designed to handle such tasks. Indeed, the phenomenon of “spending through the tax code” has only accelerated in recent decades, shielding all manner of social policy from public scrutiny while stretching IRS resources thin.

As such, we believe the time is right to replace the CTC altogether with a bona fide child allowance: that is, a per-child payment delivered monthly by the Social Security Administration to custodial parents and legal guardians. Moving the CTC’s administration is appropriate given the SSA’s comparative advantage in periodic payments, and would go a long way toward streamlining the delivery of benefits to households without reliable tax records. Nonetheless, we are prepared to hear from our conservative friends that this otherwise nominal change is somehow a deal-breaker — the creation of a no-good “entitlement” where a perfectly fine “tax cut” once stood. Don’t be confused by this argument, as it is based on an illusion. Whether the letters “IRS” or “SSA” appear alongside a bank deposit from the U.S. Treasury makes no material difference to the recipient, much less to a proper accounting of the government’s “size.”

This paper is called “The *Conservative* Case for a Child Allowance” for a reason. We believe a child allowance checks all the boxes of genuinely conservative public policy, particularly if designed with conservative values like marriage, life, religious pluralism, and fiscal rectitude front-of-mind. Those who instead define “conservatism” to mean dogmatic opposition to anything that resembles an “entitlement,” even when fully paid for, are by definition beyond the reach of our argument. While we share the fundamentally conservative commitment to limited government, we see that as better embodied by a concern for the *qualitative* rather than *quantitative* aspects of the modern, democratic welfare state.<sup>11</sup>

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11 Ed Dolan, “Trust and Quality of Government in a Polarized Age,” Niskanen Center, December 17, 2020, <https://www.niskanencenter.org/trust-and-quality-of-government-in-a-polarized-age/>.

# The Family Security Act

In February of this year, Utah Senator Mitt Romney introduced the Family Security Act,<sup>12</sup> a proposal to replace the Child Tax Credit with a flat child allowance equal to:

- **\$350 per month** (\$4,200 per year) for children under six;
- **\$250 per month** (\$3,000 per year) for children ages six to 17.

— available to all children with a valid SSN, as well as expecting parents within 4 months of their child's due date. The maximum monthly payment is capped at \$1,250 per family, and phases-out at a rate of \$50 for every \$1,000 above the current CTC income thresholds of \$200,000 for single filers and \$400,000 for joint-filers. Monthly payments would be administered by the Social Security Administration with any over- / under-payments reconciled through the IRS after filing year-end taxes.

Senator Romney's proposal is precisely the sort of "child allowance with conservative characteristics" that we have in mind. Rather than being purely additive, the Family Security Act uses the enactment of a universal child allowance as an opportunity to promote a number of conservative values, including as they relate to life, marriage, limited government, and fiscal responsibility.

## *Life*

As we discuss in a later section, expansions to child and family cash benefits are associated with significant increases in fertility and reductions in abortion. To reinforce this life affirming potential of a child allowance, as well as to promote maternal and pre-natal health outcomes, the Family Security Act proposes making the monthly child allowance available to expecting mothers beginning in their third trimester.

## *Marriage*

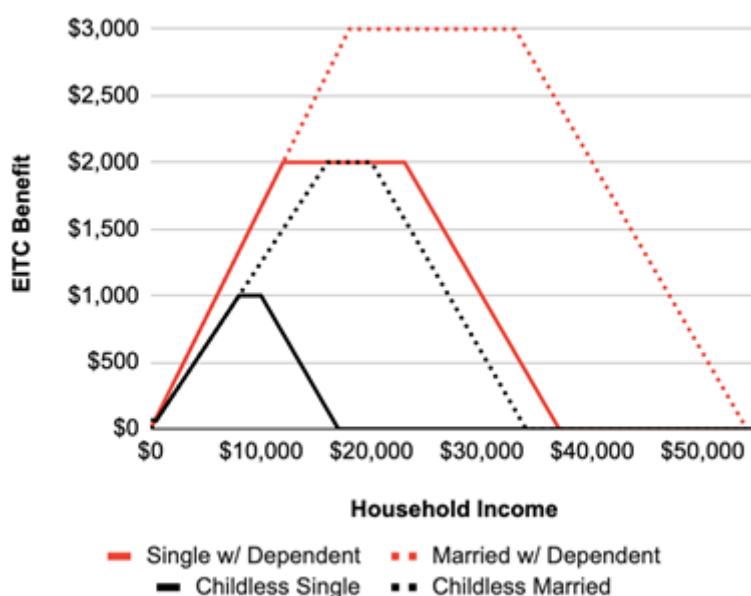
Whether or not public policy should actively promote marriage, it can at least strive to remain neutral. Unfortunately, under the status quo many working-class households face significant marriage penalties due to the structure of existing tax and transfer programs. The Family Security Act uses the enactment of a child allowance to begin to unwind these penalties, starting with the the Earned Income Tax Credit (EITC).

The EITC is an anti-poverty program delivered as a refundable tax credit that phases-in with earnings. Despite its success at reducing poverty, the EITC suffers from a number of design flaws, starting with its sheer complexity. This complexity

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<sup>12</sup> Samuel Hammond and Robert Orr, "Analysis of the Romney Child Allowance," Niskanen Center, February 4, 2021. <http://expandthechildtaxcredit.com/analysis-romney-child-allowance>

is largely a byproduct of the EITC's attempt to be both an earnings subsidy and child benefit at the same time, resulting in an unusually high error rate. Under the Romney proposal, the majority of the EITC's per-child variation would be rolled into the child allowance, allowing the zoo of different EITCs to be replaced by the simplified earnings credit illustrated below. The reform is calibrated to ensure the vast majority of households come out far ahead, while roughly doubling the maximum EITC for childless adults. The EITC for adult dependents is preserved. As a result, the reform also eliminates of the EITC's implicit marriage penalty, which for some households can be as high as 15% - 25% of family income.<sup>13</sup>



Marriage penalties in the tax code have plausibly contributed to the decline in working-class marriage rates. Ending the “head of household” (HoH) filing status helps in this regard, as well. Most other developed countries have either individualized their tax systems, or allow tax units to file as either single or married, making HoH an anachronism in comparison. As Elaine Maag of the Tax Policy Center explains, “[the] head of household filing status offers a ‘per tax unit’ adjustment that only applies to single parents relative to childless individuals. Married couples get no similar adjustment. In essence, the tax code provides a special subsidy for the first child for single parents, but not for the first child of married parents.”<sup>14</sup>

### *Limited Government*

Under the motto, “leave paternalism to parents,” the enactment of a child allow-

13 See Lyman Stone’s testimony before the Joint Economic Committee: Making it More Affordable to Raise a Family, September 10, 2019, JEC. <https://www.jec.senate.gov/public/index.cfm/2019/9/hearing>

14 Elaine Maag, “Simplicity: Considerations in Designing a Unified Child Credit,” *National Tax Journal*, Vol. 63, No. 4, pp 765–780, December 2010, <https://www.urban.org/sites/default/files/publication/28196/1001465-Simplicity-Considerations-in-Designing-a-Unified-Child-Credit.PDF>



ance serves as an opportunity to reduce the role of bureaucracy in the lives of ordinary Americans, entrusting families to make independent choices.

To that end, the Family Security Act proposes “ending welfare as we know it” by eliminating the \$16.5 billion federal block grant for Temporary Assistance for Needy Families (TANF). As we discuss in depth in a later section, the TANF block grant worsens fiscal disparities between rich and poor states, while reinforcing a two-tiered approach to social protection that promotes dependency while undermining the principle of equal dignity.

On a similar note, the Family Security Act would eliminate the Child and Dependent Care Tax Credit (CDCTC), a subsidy for child care expenses that is currently only available to high earners. As we discuss in the section on child care, as much as half the value of CDCTC passes through to child care providers in the form of higher prices. A child allowance, in contrast, allows families to afford child care while being neutral to family structure and the type of child care arrangement, maximizing respect for parental choice.

#### *Fiscal Responsibility*

Reflecting the conservative value of fiscal responsibility, the Family Security Act is fully paid for through a mix program consolidation and smart tax increases. Paying for the program is particularly important for assuring any expansion is made permanent.

	Current Spending	Romney Proposal
Child Benefit/CTC	\$117,000,000	\$229,500,000
EITC	\$71,000,000	\$24,500,000
Annual total:	\$188 billion	\$254 billion
Change in spending:		<b>\$66 billion</b>
Spending Offsets		Annual Savings
Eliminate Head-of-Household Status		\$16,500,000
Eliminate Child and Dependent Care Credit		\$4,700,000
Eliminate TANF		\$16,500,000
SNAP Categorical Eligibility Changes		\$3,100,000
Eliminate SALT Deduction		\$25,200,000
Annual total:		<b>\$66 billion</b>

In addition to the consolidations discussed above, Senator Romney proposes eliminating the State and Local Tax (SALT) deduction outright. The SALT deduction was capped as part of the Tax Cuts and Jobs Act, but remains a significant source of regressivity in the U.S. tax code. Beyond being a tax cut for the rich, the SALT

deduction reinforces social inequities by worsening fiscal disparities between rich and poor states while offsetting the property taxes of wealthy households in high opportunity neighborhoods and school districts.<sup>15</sup>

Taken as a whole, we estimate that the Family Security Act would reduce U.S. child poverty by roughly one third, and deep child poverty by half. Detailed estimates by race, quintile, and state can be found in the appendix [located here](#).<sup>16</sup>

Poverty Rate (SPM*)			Poverty Impact		
	Before	After	Percentage Point Reduction	Percent Change	Number of People
<b>Total US Population</b>	11.67%	10.06%	1.62%	<b>13.84%</b>	5,105,718
<b>Adults (18+)</b>	11.46%	10.54%	0.93%	<b>8.08%</b>	2,278,028
<b>Children (Under 18)</b>	12.41%	8.37%	4.04%	<b>32.54%</b>	2,827,690
Deep Poverty Rate†			Deep Poverty Impact		
	Before	After	Percentage Point Reduction	Percent Change	Number of People
<b>Total US Population</b>	3.94%	3.26%	0.68%	<b>17.37%</b>	2,164,786
<b>Adults (18+)</b>	4.07%	3.69%	0.38%	<b>9.42%</b>	944,682
<b>Children (Under 18)</b>	3.48%	1.74%	1.74%	<b>49.99%</b>	1,220,104

\* The Supplemental Poverty Measure (SPM) is an extension of the Official Poverty Measure that accounts for the value of many government programs aimed at low-income households. The 2020 SPM is based on data collected in 2019.

† Deep poverty is defined here as 50 percent of the SPM poverty threshold.

## Why a Child Allowance?

Having children has always been expensive, but in our modern economy the *relative* cost of raising children has never been higher. According to the Agriculture Department, the stereotypical nuclear family — a two-parent, two-child, median-income household — spends about \$12,980 annually per child on food, shelter, and other basic necessities. With projected inflation costs factored in, the total cost to raise a child to the age of 17 comes out to \$284,570, not including the cost of a college education.<sup>17</sup> This is before factoring in all the potential opportunity costs of having kids, from forgone free time to diminished career prospects.

15 Joshua McCabe, “How the SALT Deduction Subsidizes Opportunity Hoarding,” Niskanen Center, October 12, 2018. <https://www.niskanencenter.org/salt-deduction-subsidy-opportunity-hoarding/>

16 Samuel Hammond and Robert Orr, “Analysis of the Romney Child Allowance,” Niskanen Center, February 4, 2021. <http://expandthechildtaxcredit.com/analysis-romney-child-allowance>

17 Mark Lino, “The Cost of Raising a Child,” United States Department of Agriculture, February 18, 2020, <https://www.usda.gov/media/blog/2017/01/13/cost-raising-child>.

Shifting opportunity costs can have an enormous impact on fertility decisions. Most notably, the decline of the predominantly agricultural economy and the rise of industrialization catalyzed a broader social transformation.<sup>18</sup> In 1800, 94 percent of Americans lived in rural areas, women had seven children on average, and the typical wage earner made about \$16 a week in today's dollars. By 1940, 60 percent of the populace was urban or suburban, the average birth rate fell to just two, and median wages were well over \$300 a week in today's dollars.<sup>19</sup> Such a dramatic demographic transition was itself a function of new economic opportunities. With more children surviving to adulthood and the decline in farm labor, the opportunity cost of having an additional child soared.

In addition to raising the opportunity cost of children, industrialization coincided with institutional changes that reduced parents' ability to recoup their parental investment. A child that grows up to be healthy, wealthy, and wise will be in a superior position to care for their parents in old age. But with the Industrial Revolution, many parents suddenly found their adult children living, working, and settling down far away from home. As such, by the time the Social Security Act passed in 1935, roughly half of all seniors lived in poverty. The creation of a national pension program restored a form of social insurance that had previously been provided, however imperfectly, by one's extended family. The new social compact even retained its intergenerational structure, with the payroll taxes of working-age adults helping to finance the retirement of their parents and grandparents.

Industrialization and the rise of modern social insurance programs were in many ways a package deal, but they did not occur without real costs.<sup>20</sup> With the greater retirement security parents derived from having children and investing in their health and education effectively nationalized, those who continued to have many kids, and those who made investments to raise their children's earning potential, were in essence helping to strengthen the Social Security system for everyone else. In turn, as former Treasury economist Robert Stein has noted,

A growing body of economic literature shows that in the United States, Social Security and Medicare have "crowded out" the traditional incentive to raise children as a protection against poverty in old age. ... Compounding the problem is the fact that even as these systems depend upon a population of productive young workers at the national level, they diminish the

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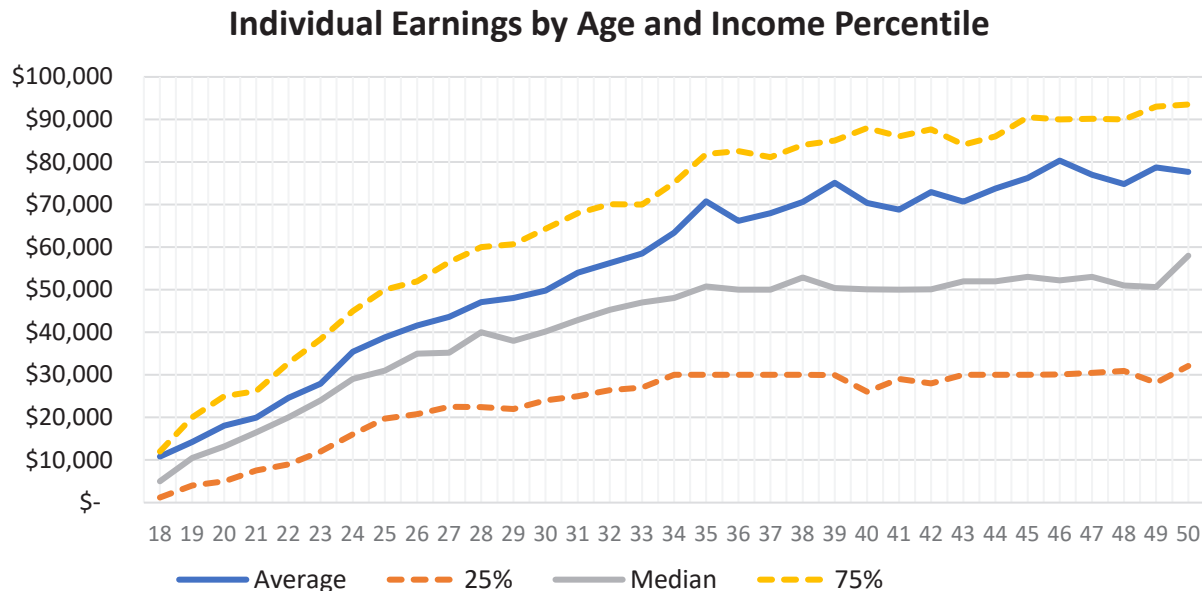
18 Oksana Leukhina and Michael Bar, "Demographic Transition and Industrial Revolution: A Coincidence?" in Annual Meeting of the Society for Economic Dynamics, July 6–8, 2006, <https://fmwww.bc.edu/RePEc/sed2006/up.22218.1139898372.pdf>.

19 Jeremy Greenwood and Ananth Seshadri, "The U.S. Demographic Transition," *American Economic Review*, Vol. 92, No. 2, pp. 153–159, May 2002, <https://www.aeaweb.org/articles?id=10.1257/000282802320189168>.

20 Samuel Hammond, "It (Still) Takes a Nation: Why Private Charity Will Never Replace the Welfare State," *The Independent Review*, Vol. 23, No. 4, Spring 2019, <https://www.independent.org/publications/tir/article.asp?id=1369>.



economic need for children at the individual level — and so undermine their own sustainability.<sup>21</sup>



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Stein is quick to add that “these negative effects on fertility cannot be cured simply by converting old-age entitlement programs into mandatory savings programs.” Instead, to offset the negative fertility bias imposed by the public retirement system, Stein proposes dramatically lowering the payroll tax burden for workers with children, as if it were a double tax. This is the correct intuition, however there is no particular reason to stop at a payroll tax cut. On the contrary, family tax benefits do a poor job of offsetting the expenses associated with raising a child given the timing mismatch between the average age of a woman’s first birth (26), and age at which men and women reach their peak earning potential (44 and 55 respectively).<sup>22</sup> Lowering the payroll tax burden of mothers is an especially strange way to promote fertility, as incentivizing mothers to increase their labor force participation is itself known to reduce fertility.<sup>23</sup>

Nor is the observation that children create a positive externality limited to the children of parents with a large tax burden. The reverse is closer to the truth, given the higher marginal benefit that can be derived from ensuring children born into poor- or low-income households receive the investments they need to realize their

21 Robert Stein, “Taxes and the Family,” National Affairs, Winter 2010, <https://www.nationalaffairs.com/publications/detail/taxes-and-the-family>.

22 National Center for Health Statistics, 2019; Payscale.com, “Earnings peak at different ages for different demographic groups,” June 4, 2019. <https://www.payscale.com/data/peak-earnings>

23 Lyman Stone, “The Dangers of Workism,” First Things, September 18, 2019, <https://www.firstthings.com/web-exclusives/2019/09/the-dangers-of-workism>.

potential as adults. In a study of the CTC and Earned Income Tax Credit, the economist Raj Chetty and co-authors estimated that a \$1,000 increase in the refundable portion of either credit increases student test scores by 6 to 9 percent of a standard deviation. Combining their estimates of the impact of refundable credits on test scores with estimates of the impact of test scores on earnings, Chetty et al. go on to find “that each dollar of income through tax credits increases [net present value] earnings by more than one dollar. These results suggest that a substantial fraction of the cost of tax credits may be offset by earnings gains in the long run.”<sup>24</sup>

The children of wealthy parents are unlikely to see similar benefits for the simple reason that they are not nearly so under-resourced. This does not mean

*“Poverty at first blush is a function of household income divided by dependents.”*

that high-income households should be excluded from a child allowance. It simply affirms that the case for supporting households with children does not, and should not, depend on the parents’ tax liability. It also illustrates why the proper way to think of a child allowance is not as a *vertical* transfer from rich to poor, but as a *horizontal* transfer, first from the childless to those with children, and second from families at their peak earning potential to families that are just starting out.

Recognizing this, many countries originally instituted child and family allowances around the same time that they adopted national pensions and other features of our modern social insurance system. When “children’s allowances” were introduced in the United Kingdom in 1946, for instance, they were seen as direct extensions of the social insurance program recommended by the landmark Beveridge Report of 1942.<sup>25</sup> In particular, the British economist William Beveridge argued that children’s allowances were necessary to guarantee families a subsistence level of income given that the wage structure of any capitalist economy did not naturally take family size into account.

Beveridge had a point. Poverty at first blush is a function of household income divided by dependents. Given two households with identical market income, the household with a dependent child will have fewer resources per person and therefore be more likely to fall below the poverty line. While encouraging parents to work can pull some families across the line, the laws of arithmetic mean work-based anti-poverty programs can never fully offset the extra expenditures that face households with children. In this light, a child allowance can be thought of as the most direct and flexible way to compensate parents for the unseen and unmone-

24 Raj Chetty, John N. Friedman, and Jonah Rockoff, “New Evidence on the Long-Term Impacts of Tax Credits,” in 104th Annual Conference Proceedings, National Tax Association, pp. 116–124, November 2011, <https://www.ntanet.org/wp-content/uploads/proceedings/2011/018-chetty-new-evidence-longterm-2011-nta-proceedings.pdf>.

25 Lynn M. Ellingson, “Children’s Allowances in the United Kingdom,” Social Security Bulletin, Vol. 43, No. 10, pp. 21–24, October 1980, <https://www.ssa.gov/policy/docs/ssb/v43n10/v43n10p21.pdf>.

tized work of raising a child — an insight that has even inspired some to talk of child allowances as a “parenting wage.”<sup>26</sup>

## Promoting Work and Equal Dignity

Conservatives have long resisted viewing poverty as simply the lack of income, and rightly so. Self-sufficiency is an important goal, and being poor and being “broke” are quite different as sociological phenomena. Nevertheless, just because poverty is not *solely* defined by a lack of income does not mean it isn’t also about that as well. That is particularly true of child poverty, given the math of trying to support one or more dependents on a wage set by the market and not, as discussed in the previous section, on the basis of need. As a result, having children is itself a risk factor for falling into poverty — and not just in terms of income.

The introduction of a new child to the family is the third-leading reason women turn to traditional welfare programs, accounting for 22.9 percent of all “poverty spells.”<sup>27</sup> Divorced and never-married mothers are particularly vulnerable in this respect, including those who may have otherwise considered terminating their pregnancy, a phenomenon which has contributed to the “feminization of poverty.”<sup>28</sup> In lieu of a simple child allowance, single-parent families are forced to turn to in-kind and other, far more bureaucratic safety-net alternatives. Navigating the morass of Great Society-era anti-poverty programs can itself become a full-time job.<sup>29</sup> As a result, a family that starts off as merely *income-poor* risks becoming socialized into “poverty” in the richer sense of the term,<sup>30</sup> putting children at a much higher risk of becoming dependent as adults.<sup>31</sup>

A recent report from the National Academy of Sciences, *A Roadmap to Reducing*

26 See Lyman Stone, “The Dangers of Workism,” *First Things*, September 18, 2019, <https://www.firstthings.com/web-exclusives/2019/09/the-dangers-of-workism>. &

Gladden Pappin and Maria Molla, “Affirming the American Family,” *American Affairs*, Vol. 3, No. 3, pp. 67–81, Fall 2019, <https://americanaffairsjournal.org/2019/08/affirming-the-american-family/>.

27 U.S. Department of Health and Human Services, Office of Human Services Policy, *Wealth Indicators and Risk Factors: Thirteenth Report to Congress*, by Gilbert Crouse and Annette Waters, March 1, 2014, <https://aspe.hhs.gov/report/welfare-indicators-and-risk-factors-thirteenth-report-congress>.

28 United Nations, UN Women, “The Feminization of Poverty,” United Nations Department of Public Information, May 2000, <https://www.un.org/womenwatch/daw/followup/session/presskit/fs1.htm>.

29 Pamela Herd and Donald P. Moynihan, *Administrative Burden: Policymaking by Other Means*, (New York, NY: Russell Sage Foundation, 2018), <https://www.russellsage.org/publications/administrative-burden>; Theodore Lowi, “The Public Philosophy: Interest-Group Liberalism,” *The American Political Science Review*, Vol. 61, No. 1, pp. 5–24, March 1967, <https://www.jstor.org/stable/1953872>.

30 Deborah Jones, Raelyn Loisel, and April Highlander, “Parent-Adolescent Socialization of Social Class in Low-Income White Families: Theory, Research, and Future Directions,” *Journal of Research on Adolescence*, Vol. 28, No. 3, pp. 622–636, September 2018, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6282858/>.

31 U.S. Department of Health and Human Services, *Welfare Indicators*, by Crouse and Waters, <https://aspe.hhs.gov/report/welfare-indicators-and-risk-factors-thirteenth-report-congress>.



*Child Poverty*, reaffirms this basic truism.<sup>32</sup> Citing the experience of Canada, Ireland, the United Kingdom, and Australia, the report notes that countries with economies similar to the U.S. all achieve lower child poverty rates through more generous child benefits and social insurance programs oriented to households with children. Take the recently expanded Canada Child Benefit, which cut that country's child poverty rate by an additional third in only a few short years.<sup>33</sup> Canadian households earning less than CAD\$31,711 a year are eligible to receive CAD\$541.33 per month (\$6,496 per year) for each child under the age of 6, and \$456.75 per month (\$5,481 per year) for each child aged 6 to 17.<sup>34</sup> The benefit then phases out slowly for higher-income families, while still reaching over 90 percent of households with children.

Canada's child benefit is untethered to work and much larger than the comparable tax credits in the United States, and yet Canada's labor force participation is about two percentage points higher. In fact, following the benefit's expansion in 2016, total employment in Canada actually *increased*. As the governor of the Bank of Canada noted at the time, the expansion of the child benefit turned out to be "highly stimulative."<sup>35</sup> Child benefits have a large fiscal multiplier effect thanks to the high marginal propensity to consume of families with young children. Given that Canada was still recovering from the 2008 recession at the time, the expansion of the Canada Child Benefit therefore helped move the country closer to full employment. As the United States recovers from the COVID-19 pandemic, the enactment of a child allowance could produce a similarly positive employment effect here.

What about the work disincentives created by unconditional child benefits under normal economic conditions? Once again, Canada provides the best point of comparison to the U.S. given their cultural similarity and broadly comparable institutional environment. Canada first introduced its child allowance in 2006, a universal CAD\$2,000 per year benefit that was then known as the Universal Child Care Benefit (UCCB). A study looking at the before and after of the UCCB's introduction found a small but statistically significant effect on the employment and labor force participation of mothers, but in a way that was differential depending on the

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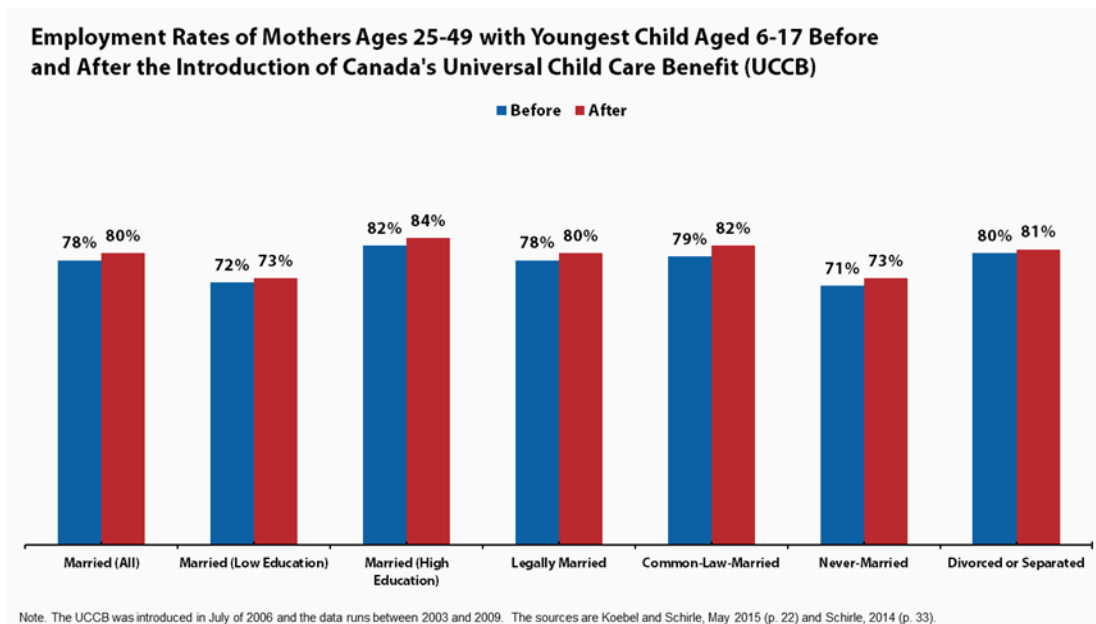
32 National Academies of Sciences, Engineering, and Medicine, *A Roadmap to Reducing Child Poverty*, (Washington, DC: The National Academies Press, 2019), <https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty>.

33 "Introduced in 2016, the CCB has already been credited for contributing to a decline in child poverty from 11% to 9 percent." <https://ifstudies.org/blog/the-pros-and-cons-of-canadas-child-benefit>

34 Canada Revenue Agency, *Canada Child Benefit: How Much You Can Get*, Last modified January 27, 2020, <https://www.canada.ca/en/revenue-agency/services/child-family-benefits/canada-child-benefit-overview/canada-child-benefit-we-calculate-your-ccb.html>.

35 "Bank Governor Credits Liberal Stimulus With Stronger Economy," CTVNews, July 12, 2017, <https://www.ctvnews.ca/politics/bank-governor-credits-liberal-stimulus-with-stronger-economy-1.3500252>.

mother's marital status and level of education.<sup>36</sup> Perhaps surprisingly, never-married mothers *increased* both their labor force participation and employment rates, suggesting that they used the benefit to afford child care. Unlike what came before it, the UCCB was universally available to all households with children, regardless of their income, and yet the sky didn't fall. On the contrary, single and married moms alike worked *more*.



The only group to reduce its overall employment rate was low-education, married mothers of children under the age of six, which only makes sense. Parents may have an absolute advantage in caring for their own children, but they may not always have a *comparative* advantage in doing so. The decision of whether to be a stay-at-home mom or dad is a function of opportunity cost, which is in turn a function of skill or education. Taking a job that barely pays the cost of hiring external child care may increase the GDP statistics, but to what end?<sup>37</sup>

Conservatives are nonetheless right to be concerned about reproducing the forms of dependency that were once common in the Aid to Families with Dependent Children (AFDC) program. The Personal Responsibility and Work Opportunity Act of 1996 replaced AFDC with Temporary Assistance for Needy Families (TANF), a federal block grant that funds cash assistance programs with work requirements and time-limited benefits. Despite its well-known flaws, the reform was undeniably effective at pulling many single mothers into the labor force, promoting self-suffi-

36 Kourtney Koebel and Tammy Schirle, "The Differential Impact of Universal Child Benefits on the Labour Supply of Married and Single Mothers," Canadian Public Policy, Vol. 42, No. 1, pp. 49-64, March 2016, <https://www.utpjournals.press/doi/abs/10.3138/cpp.2015-049>.

37 Samuel Hammond, "Bad Arguments Against a Child Allowance," Niskanen Center, May 11, 2017, <https://www.niskanencenter.org/bad-arguments-child-allowance/>.

ciency.<sup>38</sup>

But before judging a universal child allowance as a step backwards in this respect, it is essential to understand why AFDC created a poverty trap in the first place. In particular, the work disincentive in AFDC was created not by cash assistance, per se, but by the high implicit marginal tax on earnings as the benefit was clawed back. In some cases, a dollar earned by an AFDC recipient corresponded to a dollar reduction in benefits, creating an implied marginal tax rate of 100 percent.<sup>39</sup> This structure was a byproduct of the program's origin in the mothers' pension movement at the turn of the 20<sup>th</sup> century, which fought for cash assistance as a means to support nonworking widows. In an era of male breadwinners, little attention was paid to the work disincentives created by such a severe means test.<sup>40</sup> In contrast, a child allowance that is flat for the vast majority of the income distribution does not suffer from high implicit marginal taxes, as a dollar earned by a household with children is a dollar kept.

## Child Care Pluralism

Conservatives have long been attentive to the ways public policy can create unintended consequences, including the creation of benefit cliffs that lock people into poverty. Universal benefits like a child allowance are the canonical way to eliminate such poverty traps outright.<sup>41</sup> Indeed, research shows that the pure "income effect" of cash transfers on work effort is small, and at very low levels of income may even be positive given the relaxation of household credit and liquidity constraints.<sup>42</sup> In one study, for example, a \$1,000 increase in the refundable CTC is associated with a 1.1 percentage point *increase* in labor force participation for single mothers — an effect size that is consistent with other research.<sup>43</sup>

The study suggests the CTC's positive labor supply effect is driven by mothers

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38 Samuel Hammond, "Three Ways Welfare Reform Failed Conservatives," Niskanen Center, August 23, 2016, <https://www.niskanencenter.org/welfare-reform-failed-conservatives/>.

39 Casey B. Mulligan, "The 100% Tax in Theory and Practice." Working Paper, University of Chicago, November 1998, <http://home.uchicago.edu/~cbm4/tax100.pdf>.

40 Abe Bortz, "Mother's Aid," Social Welfare History Project, Accessed January 26, 2021, <https://social-welfare.library.vcu.edu/programs/mothers-aid/>.

41 Ed Dolan, "New Research Revives Debate Over a Poverty Trap," Niskanen Center, July 7, 2020, <https://www.niskanencenter.org/new-research-revives-debate-over-a-poverty-trap/>.

42 Damon Jones and Ioana Marinescu, "The Labor Market Impacts of Universal and Permanent Cash Transfers: Evidence from the Alaska Permanent Fund," NBER Working Papers 24312, National Bureau of Economic Research, <https://www.nber.org/papers/w24312>.

43 Samuel Hammond, "New Research Finds the Child Tax Credit Promotes Work", Niskanen Center, December 10, 2020, <https://www.niskanencenter.org/new-research-finds-the-child-tax-credit-promotes-work/>.



whose youngest child is between three and five years old.<sup>44</sup> This makes sense, as parents of preschool children are the most likely to face a clear tradeoff between working and staying home to care for their child. As such, the author finds that “every \$1,000 increase in average CTC decrease[s] the possibility of the children being taken care of by the parent by 5.29 percentage points.” More surprisingly, the author also finds that a \$1,000 increase in CTC leads to a 6.57 percentage point decrease in the use of day care centers.

How can the CTC both increase access to nonparental child care and reduce the use of formal day care centers? As the paper goes on to show, a \$1,000 increase in the average CTC also contributes to a 13.4 percentage point increase in the probability of children being looked after by relatives. Family to the rescue.

*“...massive demand-side [child care] subsidies would only drive up prices, worsening the child care affordability crisis...”*

Federally-funded universal child care is one of the most popular ideas on the left right now. While every proposal differs in important ways, they share a common vision of greater federal involvement in child care, regulations that mandate worker “quality,” and public financing to make formal child care centers either free or heavily subsidized. “High quality child care,” it should be noted, is more often than not a code word for center-based child care employing licensed and accredited professionals trained in the education *du jour*. And while the large majority of families do not rely formal day care as their primary child care arrangement, that could always change given sufficient subsidies, bringing the Common Core debate to Baby Einstein.

The COVID-19 relief plan released by the Biden administration in January was no exception. The plan calls for a \$25 billion bailout fund for formal child care providers harmed by the pandemic, along with the creation of a new, refundable tax credit to fully reimburse 50 percent of most households’ eligible child care expenses.<sup>45</sup> Without addressing the supply-side barriers to the available number of child care providers, such massive demand-side subsidies would only drive up prices while redistributing wealth to professionals in high cost cities. Left off the agenda is equal recognition of home- and family-based models that remain the dominant source of child care in the United States, and one that surveys show most parents prefer.<sup>46</sup>

44 Wei Zheng, “Child Tax Credit and Maternal Labor Supply,” Job Market Paper, University of Connecticut, September 2020, [https://b6ad33f0-5c8f-4cae-8827-e0b202e9df5d.filesusr.com/ugd/727ad2\\_ebc7d866770149868145d8ad583cc10d.pdf](https://b6ad33f0-5c8f-4cae-8827-e0b202e9df5d.filesusr.com/ugd/727ad2_ebc7d866770149868145d8ad583cc10d.pdf).

45 Anna North, “Biden’s Covid-19 stimulus plan includes \$40 billion for child care,” Vox, January 20, 2021. <https://www.vox.com/2021/1/20/22238757/joe-biden-covid-19-stimulus-child-care>

46 Samuel Hammond, “The False Promise of Universal Child Care,” Institute for Family Studies, February 28, 2019, <https://ifstudies.org/blog/the-false-promise-of-universal-child-care>.

A child allowance represents a vastly superior approach to enabling families to afford the form of child care that works best for them. Empirical estimates find that as much as half of the value of existing day care subsidies is captured by providers in the form of higher wages and prices.<sup>47</sup> The fungibility of a child allowance, in contrast, allows parents to weigh the costs and benefits of different forms of child care (both formal and informal), and then choose the arrangement that works best for them, from grandma to the proverbial church basement. Surveys have long found parents of every income level favor home- and family-based child care to

*“A child allowance represents a vastly superior approach to enabling families to afford the form of child care that works best for them.”*

formal day care centers.<sup>48</sup> Thanks to recent research, we can now see that preference revealed in the free choices of low-income moms.

Conservatives are often portrayed in the media as unsympathetic to the poor, or ideologically committed to shrinking

the size of government for its own sake. While there are clearly some libertarians for whom this description is apt, it is a grossly unfair caricature of conservatives' concerns with the welfare state as a whole. Religious and traditionalist conservatives, in particular, tend to be less concerned with the *fiscal* implications of new government programs than the *social* ones, and not unjustly. Old Right opponents of the New Deal, for instance, worried that Social Security and related programs would crowd out charitable contributions to the church, and they were right.<sup>49</sup> Similarly, the Little Sisters of the Poor took issue with the Affordable Care Act not because they denied the existence of a market failure in health insurance, but because they believed requiring employers to offer health insurance that paid for contraceptives represented a value-laden imposition — a violation of their religious liberty — in an otherwise neutral, technocratic guise.

The debate over child care is no different. After the Canadian province of Quebec introduced universal “\$5 a day” child care in 2000, subsequent research found large, detrimental effects on child noncognitive development, including increased rates of criminality. A third of the children who entered the program came from family-based and informal care arrangements, demonstrating substantial civil society crowd-out.<sup>50</sup> In order to achieve universal scale, many of the kids who had

47 Social Capital Project, “Expanding Child Care Choices: Reforming the Child and Dependent Care Tax Credit to Improve Family Affordability,” SCP Report No. 2-21, February 3, 2021.

48 Lyman Stone, Twitter Post, February 22, 2019, 6:57 p.m., <https://twitter.com/lymanstoneky/status/1098914732994584577>.

49 Samuel Hammond, “It (Still) Takes a Nation,” Independent Review, <https://www.independent.org/publications/tir/article.asp?id=1369>; Jonathan Gruber and Daniel M. Hungerman, “Faith-Based Charity and Crowd Out During the Great Depression,” *Journal of Public Economics*, Vol. 91, No. 5, pp. 1043–1069, May 2005, <https://www.sciencedirect.com/science/article/abs/pii/S0047272706001526>.

50 Michael Baker, Jonathan Gruber, and Kevin Milligan, “Universal Child Care, Maternal Labor Supply,

their care arrangements displaced became victims of a “lowest-common denominator” effect.<sup>51</sup> This was of secondary importance, however, to the explicit goal of promoting maternal labor force participation. Universal child care was seen as part of a feminist project to liberate women from the perceived career handicap of motherhood, and thus to eliminate male–female inequalities of outcome in the labor market.

Regardless of one’s own religious, moral, or philosophical convictions on such questions, support for this version of a feminist conception of the good life is clearly far from unanimous. The way forward in a country as diverse as the United States is to make a commitment to pluralism central to every aspect of federal policy making. A child allowance does this by accommodating the consumption and lifestyle choices of American families in their full, kaleidoscopic diversity, from stay-at-home parents embedded in a thick community to secular professionals invested in their career.

## Affirming Life and Family

For many American families, the COVID-19 pandemic experience was not unlike being hit by a Category 5 hurricane. Core public services such as schools and public transportation were disrupted. Large-scale unemployment persisted for months, community social activities were suspended, and far too many were left grieving over lost loved ones. These disaster-like conditions have put unique financial and psychological stressors on families with children,<sup>52</sup> with potential short- and long-term harms to child development that we are only beginning to grasp.<sup>53</sup>

Unstable and uncertain household finance can itself lead to a deterioration in parenting quality. A study examining the Great Recession found that a 1 percent increase in the unemployment rate was associated with a 25 percent increase in child neglect.<sup>54</sup> These harms were smaller in states with more generous safety nets for the unemployed. Initial reports suggest the COVID-19 pandemic has likewise

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and Family Well-Being,” *Journal of Political Economy*, Vol. 116, No. 4, pp. 709–745, August 2008, <https://www.journals.uchicago.edu/doi/abs/10.1086/591908>.

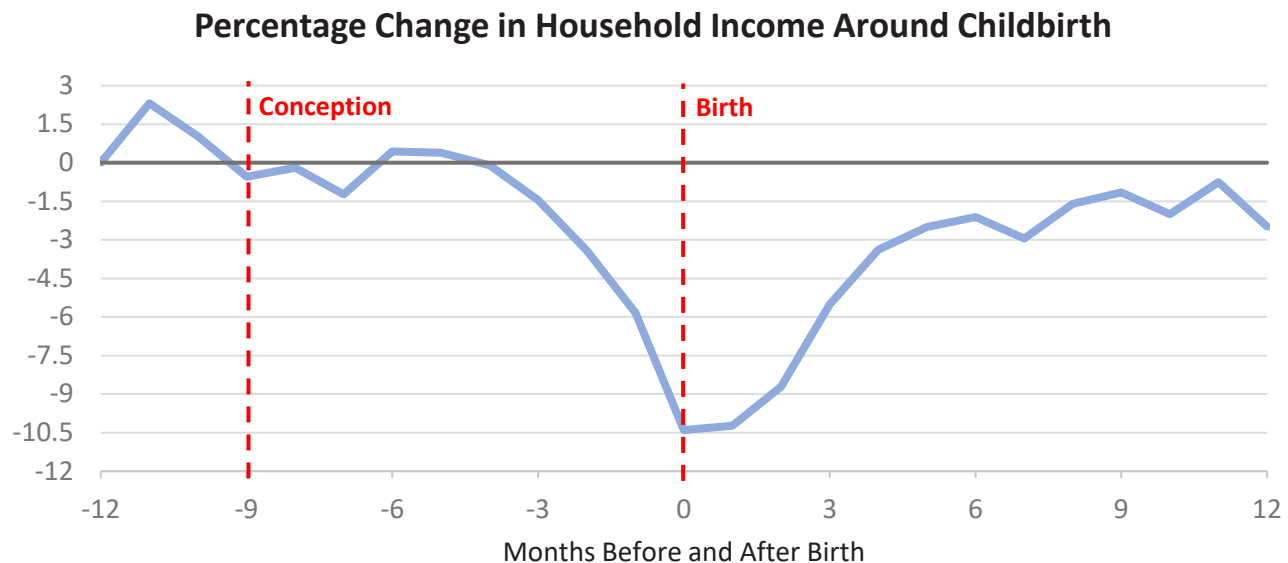
51 Michael Baker, Jonathan Gruber, and Kevin Milligan. “The Long-Run Impacts of a Universal Child Care Program,” *American Economic Journal: Economic Policy*, Vol. 11, No. 3, pp. 1–26, August 2019, <https://www.aeaweb.org/articles?id=10.1257/pol.20170603>.

52 U.S. Department of Health & Human Services, Substance Abuse and Mental Health Services Administration, Behavioral Health Conditions in Children and Youth Exposed to Natural Disasters, September 2018, <https://www.samhsa.gov/sites/default/files/srb-childrenyouth-8-22-18.pdf>.

53 Debora Marques de Miranda et al, “How is COVID-19 pandemic impacting mental health of children and adolescents?” *International Journal of Disaster Risk Reduction*, Vol. 51, December 2020, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7481176/>.

54 Brown, Dan & De Cao, Elisabetta, 2018. “The impact of unemployment on child maltreatment in the United States,” ISER Working Paper Series 2018–04, Institute for Social and Economic Research.

resulted in an increase in child abuse and neglect, despite a steep decline in official reports due to lockdowns.<sup>55</sup>



Based on data from Alexandra Stanczyk, "The dynamics of household economic circumstances around a birth," Washington Center for Equitable Growth working paper series, October 2016.

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A child allowance would serve to relieve these and other sources of household instability, and thus help to strengthen the family, *per se*. A 2015 study of expansions to Canada's child benefit makes this clear.<sup>56</sup> Previous research confirmed that its expansion led to large improvements in child outcomes, including physical and mental health, but left open the question of "how." By studying household consumption patterns before and after the expansion, researchers found that outcomes for children improved through two distinct channels: by increasing direct expenditures on inputs like education and health (the resource channel); and by helping pay for general household items that reduced stress and improved family stability, what are known as "household stability items." For every dollar Canada's child benefit increased, the average household spent 13 cents more on education inputs like computers and school supplies, but also 17 cents more on rent, 8 cents more on food, and 6.5 cents more on transportation. Perhaps the most surprising result is that increases in the child benefit caused a significant drop in the consumption of tobacco and alcohol products, likely due to reduced stress.

The stability a child allowance provides to household finances can even make a

55 Jai Sidpra et al., "Rise in the Incidence of Abusive Head Trauma During the COVID-19 Pandemic," *Archives of Disease in Childhood*, July 2, 2020, <https://adc.bmj.com/content/early/2020/06/30/arch-dischild-2020-319872>.

56 Lauren E. Jones, Kevin Milligan, and Mark Stabile, "Child Cash Benefits and Family Expenditures: Evidence from the National Child Benefit," *Canadian Journal of Economics*, Vol. 52, No. 4, pp. 1433-1463, November 2019, <https://onlinelibrary.wiley.com/doi/full/10.1111/caje.12409>.



difference before the child is born.<sup>57</sup> Average household income falls precipitously in the months before birth, while taking over six months to recover to a lower level.<sup>58</sup> According to the Guttmacher Institute, 28 percent of abortion patients surveyed said their decision to terminate a pregnancy was at least in part due to the financial stress of having a child.<sup>59</sup> Meanwhile, research across states has found that more expansive family leave laws are associated with lower rates of abortion.<sup>60</sup> A child allowance would likely have an even greater impact than family leave, given its greater value and lack of dependence on an employer. When Spain unexpectedly introduced a sizable universal child allowance in 2007, for instance, it witnessed a

*“A child allowance would enable the elimination of many of the well-known marriage penalties...”*

significant increase in fertility. Research subsequently determined that this was, at least in part, driven through a reduction in abortions.<sup>61</sup>

A child allowance with conservative characteristics can go further. Whether it should be a matter of federal policy to actively promote marriage is a contentious question, to put it mildly. Nonetheless, few dispute that existing and future public policies should at least strive to be neutral with respect to marriage, a standard against which existing federal tax and transfer policies fall well short.

With the right calibration, a child allowance would enable the elimination of many of the well-known marriage penalties in existing poverty programs while keeping most if not all low-income households whole. As AEI adjunct fellow Lyman Stone noted in testimony before the congressional Joint Economic Committee, the U.S. tax code exhibits a sizable marriage bonus for high-income households, “but if you’re in the EITC eligibility range, getting married could reduce your benefit by thousands of dollars. If you’re two working-class people with similar incomes, there’s a very real tax on marriage.” Indeed, the marriage penalty from the EITC alone can amount to over 15 percent of a family’s income. As Stone concludes, “It’s

57 Patrick T. Brown, “Want to reduce abortion rates? Give parents money.” Washington Post, January 26, 2017, <https://www.washingtonpost.com/posteverything/wp/2017/01/26/want-to-reduce-abortion-rates-give-parents-money/>

58 Alexandra B. Stanczyk, “The dynamics of household economic circumstances around a birth,” Washington Center for Equitable Growth working paper series, October 2016. <https://equitablegrowth.org/working-papers/income-volatility-around-birth/>

59 Lawrence B. Finer et al., “Reasons U.S. Women Have Abortions: Quantitative and Qualitative Perspectives,” Perspectives on Sexual and Reproductive Health, Vol. 37, No. 3, pp. 110–118, September 2005, <https://www.guttmacher.org/sites/default/files/pdfs/journals/3711005.pdf>

60 Laura S. Hussey, “Welfare Generosity, Abortion Access, and Abortion Rates: A Comparison of State Policy Tools,” Social Science Quarterly, Vol. 91, No. 1, pp. 266–83, March 2010, <http://www.jstor.org/stable/42956534>.

61 Libertad González, “The Effect of a Universal Child Benefit on Conceptions, Abortions, and Early Maternal Labor Supply,” American Economic Journal: Economic Policy, Vol. 5, No. 3, pp. 160–88, August 2013, <https://www.jstor.org/stable/43189344>.

no mystery why working-class Americans are getting married less.”<sup>62</sup>

The marriage penalty from the EITC is a byproduct of its strange, hybrid design. Nominally an earnings subsidy, the credit also doubles as a sizable child benefit. Were the credit’s per-child variation rolled into a child allowance, the existing EITC could be replaced with a smaller, per-worker wage credit that does not penalize married households for filing their taxes jointly. Indeed, the entire “head of household” tax filing status (a source of many tax preferences for single or never-married parents) could be eliminated outright as an anachronism.

As Elaine Maag of the Tax Policy Center notes, “Head of household filing status offers a ‘per tax unit’ adjustment that only applies to single parents relative to childless individuals. Married couples get no similar adjustment. In essence, the tax code provides a special subsidy for the first child for single parents, but not for the first child of married parents.”<sup>63</sup> If a child allowance were enacted simultaneously, however, any concern about harming low-income single parents through the elimination of the head of household filing status would melt away.

## End Welfare As We Know It

During his 1992 presidential campaign Bill Clinton famously pledged to “end welfare as we know it.” Whether he lived up to that promise depends on whom you ask. TANF is clearly different from the old AFDC program in many respects, from its introduction of work requirements to its structure as a block grant, and following reform, welfare caseloads fell significantly. Nonetheless, in other ways TANF retains a close resemblance to what came before it.

Consider that the formula used to determine each state’s share of the \$16.5 billion TANF block grant has been frozen in time since 1996, using that year’s allocations derived from AFDC’s old matching formula. This locked in interstate fiscal disparities that have only worsened overtime, as grant allocations have gone unmodified by subsequent changes in state poverty rates or population growth. As a result, today New York receives more than nine times the grant funding per child as Idaho, a relatively poor state, and spends over *twenty-five times* more per child as Utah.<sup>64</sup>

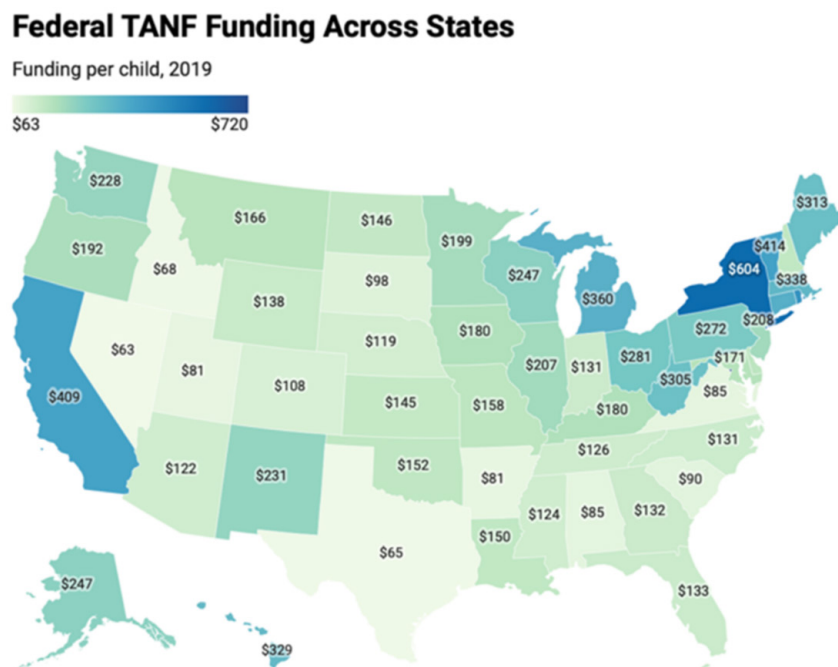
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62 See Lyman Stone’s testimony before the Joint Economic Committee: Making it More Affordable to Raise a Family, September 10, 2019, JEC. <https://www.jec.senate.gov/public/index.cfm/2019/9/hearing>

63 Elaine Maag, “Simplicity: Considerations in Designing a Unified Child Credit,” National Tax Journal, Vol. 63, No. 4, pp 765–780, December 2010, <https://www.urban.org/sites/default/files/publication/28196/1001465-Simplicity-Considerations-in-Designing-a-Unified-Child-Credit.PDF>

64 Joshua McCabe, “Inequitable and Inadequate: Reforming Federal Grants for State Social Assistance Programs,” Niskanen Center, February 2, 2021. <https://www.niskanencenter.org/inequitable-and-inadequate-reforming-federal-grants-for-state-social-assistance-programs/> & Joshua

Worse still, the advent of TANF did nothing to transcend the AFDC model of a highly means-tested, puritanical welfare program. As discussed in the previous section, there is an important distinction between being in poverty and being “broke.” Someone in the latter category may need cash to afford a babysitter while they hand out resumes, while someone in the former category may have intrinsic barriers to their employment, from behavioral issues to substance abuse to a criminal record. Household income tells one little about which category one is dealing with, and yet distinguishing between these two types of deprivation is critical for triaging resources effectively.



A conservative approach to a child allowance would thus seek to truly “end welfare as we know it” by substituting means-tested welfare with a universal program, enabling the TANF block grant to be abolished once and for all. Since a child allowance is intrinsically per child, this would instantly eliminate the fiscal disparities in TANF’s current state-by-state allocation — a boon for rural families and poorer states. Existing TANF-funded programs would be uninterrupted to the extent that states wish to continue funding them; however, there would be little need to continue cash assistance at anything like the same levels. This would save states revenue that they could redirect toward wraparound social services for the so-called “hard to serve” cases, rather than treating every family who falls on hard times with the same degree of suspicion.

A child allowance would reduce dependency in the longer run by supporting

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McCabe, “Rich State, Poor State: The Case for Reforming Federal Grants,” Niskanen Center, December 4, 2019, <https://www.niskanencenter.org/rich-state-poor-state/>.

low-income and middle-class families through a common program. Universal benefits engender greater social trust in the recipients, while instilling a kind of bourgeois equality, or equal dignity, between the poor and not-poor.<sup>65</sup> The comparative research on universal versus means-tested programs suggest this is essential for providing a seamless pathway out of poverty, and thus for reducing dependency in the longer run. Conversely, the current U.S. approach of a tax credit for middle-class families and highly means-tested and in-kind programs for poor families not only creates benefit cliffs, but also gives rise to an entirely parallel set of social institutions — welfare bureaucracies that poor families must become experts in, and which can take on a life of their own.<sup>66</sup>

Indeed, conservative critics of the “welfare state” typically do not take issue with spending on the poor, per se, so much as with *how* it’s being spent. A child allowance, in contrast, maximizes parental choice and minimizes the risk of special interest capture.

*“A child allowance by nature avoids the bureaucracy and paternalism of the U.S. regulatory state.”*

Beyond these intrinsic merits, a child allowance also provides a viable strategy for combating the “interest group liberalism” that has come to dominate U.S. politics from the 1970s and beyond. Interest group-based politics have helped entrench a number of liberal policy goals by connecting their delivery or enforcement to some favored constituency, from public interest law firms to industry associations and everything in between.<sup>67</sup>

Take the Women, Infants, and Children (WIC) program, which among other things supplies low-income new mothers with baby formula and other nutritional supplements. WIC is the largest buyer of formula in the country, serving over half of all infants, thanks to the large purchases states make from manufacturers under sole-source contracts.<sup>68</sup> Manufacturers are selected according to a competitive bid, and in exchange for an exclusive contract (and thus near-monopoly market share) they provide states with considerable rebates that push the cost of formula below

65 Samuel Hammond, “The Bourgeois Equality of a Universal Child Allowance,” Institute for Family Studies, January 26, 2021, <https://ifstudies.org/blog/the-bourgeois-equality-of-a-universal-child-allowance>.

66 Bo Rothstein, “Social Capital in the Social Democratic Welfare State,” *Politics & Society*, Vol. 29, No. 2, pp. 207–241, June 2001, [https://is.muni.cz/el/1423/jaro2009/SPP139/um/Rothstein\\_social\\_capital.pdf](https://is.muni.cz/el/1423/jaro2009/SPP139/um/Rothstein_social_capital.pdf).

67 For an example of this dynamic in the legal sector, see: Steven M. Teles, “The Rise of the Conservative Legal Movement,” Chapter 2: The Rise of the Liberal Legal Network, Princeton University Press, 2008. <https://www.degruyter.com/princetonup/view/book/9781400829699/10.1515/9781400829699-004.xml>

68 U.S. Department of Agriculture, Food and Nutrition Service, About WIC– WIC at a Glance, October 10, 2013, <https://www.fns.usda.gov/wic/about-wic-wic-glance>.



its retail price.<sup>69</sup> This strange industrial policy for baby formula is no objective analyst's idea of good public policy, and yet the program persists thanks to the symbiotic relationship between poverty and nutrition advocates on the one hand, and powerful state-level interest groups on the other.

Over the years, conservatives have failed to roll back WIC and similar abominations due to the inevitable Chicken Little reaction the mere suggestion elicits from lawmakers and issue advocates. The enactment of child allowance is thus a golden opportunity to wind down as many such programs as possible. Claims that eliminating subsidies for formula manufacturers will “put infants at nutritional risk,” for instance, simply fall flat when one is simultaneously increasing the poorest families' incomes by thousands of dollars.<sup>70</sup> Such arguments would suddenly represent the statement that technocrats in Washington know poor parents' needs better than they do. Beyond helping pay for the child allowance, such consolidations would thus lay bare many activists' deeper motivations, and force progressive lawmakers into a tough choice: slash child poverty in a way that treats the poor with equal dignity, or defend their favored interests as the high-minded social engineers that they are?

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69 Yoon Y. Choi et al., “Effects of United States WIC Infant Formula Contracts on Brand Sales of Infant Formula and Toddler Milks,” *Journal of Public Health Policy*, Vol. 41, No. 3, pp. 303–320, September 2020, <https://pubmed.ncbi.nlm.nih.gov/32355331/>.

70 Samuel Hammond, “What Libertarians and Conservatives See in a Child Allowance,” *Spotlight on Poverty*, May 31, 2017. <https://spotlightonpoverty.org/spotlight-exclusives/libertarians-conservatives-see-child-allowance/>

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