

## DISCUSSION

W. Michael Mahoney, Social Security Administration

The three papers presented here are closely related. One is about the Aid to Families of Dependent Children (AFDC), which provides benefits to poor female headed families. Another is about the Supplemental Security Income (SSI) program, which provides benefits to poor aged, blind and disabled persons. And one is about the poor population as a whole. Unfortunately, despite the wealth of interesting and related data in each of them, one cannot move readily from one to the other. The first two papers rely on "program" data, i.e. data generated by the programs themselves. Since each of the two programs uses different eligibility criteria and different definitions of eligible units, the data they generate are not directly comparable. The third paper relies on data collected by the Bureau of the Census in the regular March income supplement to the Current Population Survey (CPS). The Bureau of the Census uses definitions of families and households which do not match the programs' definitions of eligible units. Moreover, it reports family income on a calendar year basis whereas program eligibility is determined for much shorter periods of time. Finally, the CPS provides only limited information on asset holdings which are often an important determinant of program eligibility.

These differences have been with us for a long time. Why do I stress them now? Because in the last six years increasingly sophisticated models have relied on the CPS data to simulate public assistance and other income transfer programs. These models have been the basis for dozens of studies of program impact and have been the source of most cost and caseload estimates produced for the many new welfare programs proposed during these years. The first real test of the ability of these models to produce accurate estimates is far from inspiring.

Recent experience with the SSI program, which was implemented in January 1974 and which thus far has far fewer recipients than first estimated, suggests that one or more of the following are wrong:

- (a) the techniques and inferences used to conform the CPS data to program concepts
- (b) assumptions about participation rates
- (c) the program data
- (d) the CPS data

Quite likely there are some biases in the way the various simulation models manipulate the data. But it is an act of faith to assume that any remaining differences are attributable to program participation rather than the data themselves. I prefer to remain skeptical and to assume that all four sources of error are equally likely.

Income transfer programs have become the largest component of Federal expenditures. It is essential that there be adequate data and

and procedures for exploring these programs and the impact of possible changes in them. Efforts to provide and improve this capability in the Office of the Secretary of Health, Education and Welfare, in the Office of Research and Statistics of the Social Security Administration, at the Urban Institute, Mathematica and other private firms are to be commended. The pilot study to which Mitsuo Ono refers in his paper is another important step in the right direction. It seems likely, however, that a new income survey which would replace the March supplement will be necessary.

There have of course already been a number of discussions about such a new survey, what it should look like, and the problems that are likely to be associated with it. I would put high on the list of problems for any future discussions the difficulties that will be faced in gathering data that conform to program usage.

I have a few comments about each of the papers.

Renee Miller and Arno Winard provide us with a concise and useful description of the poverty population and how it has changed over time. But in attributing some of the decline in the number of working poor to the impact of minimum wage legislation they provide an interpretation that most economists would surely dispute. If minimum wage legislation has the effect that economic theory predicts, the reduction in the number of working poor is not a result of their greater earning power but because fewer of them work! In fact, the very high unemployment rates among out-of-school youth and others with marginal skills may be a result of minimum wages. If these rates were lower, poverty rates might also be lower.

Miller and Winard point out another trend: the increasing number of female headed families. Citing the evidence of a recent publication of the Fiscal Subcommittee of the Joint Economic Committee that welfare benefits available to female headed families are generally greater than they are for male headed families, Miller and Winard suggest that financial incentives may account for the trend. It is a possibility I readily concede. But we must guard against the possibility of assuming that because an identifiable and measurable incentive exists, behavior is necessarily strongly influenced thereby. For example, it has long been assumed that the financial disincentives in most welfare programs effectively discouraged recipients from working. Recent evidence raises some doubt about this assumption. Where incentives exist, it is appropriate to learn whether they affect behavior but we must be cautious when we attempt to explain the behavior of others.

In his paper, Richard Bell provides us with a straightforward description of the new SSI pro-

gram. But his suggestion that social security benefits are an important source of income for SSI recipients is misleading. Persons who receive both supplemental security and social security benefits are only twenty dollars a month better off than those who receive only supplemental security benefits. It is on the total expenditures in the SSI programs that the social security payments have their impact. These expenditures are substantially less than they otherwise would be.

I will note without comment that Bell's favorable assessment of the Social Security Administration effort to identify and enroll eligible SSI recipients is not shared by a number of spokesmen for the elderly poor.

Mitsuo Ono's paper about the AFDC program is a refreshing change from previous papers by employees of the Social and Rehabilitative Services agency which administers the AFDC program. Many (though not all) of those papers displayed an almost perverse unwillingness to look at and think logically about facts. I don't know how many times Social and Rehabilitative Services publications pointed out that that the median length of time on the rolls was declining. Ono points out correctly that when the rolls are increasing of course the median time on declines.

Ono does slip up once or twice, however. He used differences in average welfare payments to illustrate the differing generosity among the states. However, average welfare benefits are a function of: a) the income distribution within the individual states; b) the formula the state uses to determine the payment to an eligible family; c) the administrative practices of the state; as well as d) the amount the state will pay to a family with no other income. The last of these, while not perfect, is a better indicator of generosity than average payment.

Ono observes that the proportion of families receiving AFDC where the father has deserted or never married the mother has been steadily growing. One reason for this which is seldom noted is that the number of widowed mothers requiring assistance has been steadily declining. This is in part a result of the maturation of the social security program and its increased benefit levels.

Ono is far more optimistic about the prospect of reducing the welfare rolls than I. While I agree with him that a greater proportion of them are employable than before, I doubt that many will be able to earn enough to reduce their welfare entitlement to zero.

I was asked by our Chairlady to introduce a "policy perspective" into our discussion of these papers. Ono's comment that timeliness is often as important as accuracy is a good turning point for me to do that. I could not agree with him more. Far too often statisticians, economists, and program analysts have sought a degree of perfection that simply

was not worth the cost in time and resources. There is never a time when accuracy is important regardless of cost. This is a possibility that Ono admits but I suspect that his point is really that we should be pragmatic about our work. I certainly agree.

Pragmatism is not the same as having undue concern about the inferences for policy that people may draw from our work. Because most of us are concerned about social welfare, we are constantly tempted to worry about this. It is a temptation devoutly to be resisted. It inevitably leads us to bias our work towards those policy outcomes we prefer. Our job is to help our employers make informed decisions not to lead them down the paths we wish them to follow.

Let me give an example.

Miller and Winard discuss the fact that non-cash income is not included in the CPS income measures. They point out that a number of people have concluded from this that the number of poor is overstated. They then quote Mollie Orshansky to the effect that the non-poor may receive as many or more non-cash benefits than the poor. Miss Orshansky is certainly right. Our subsidized presence at this meeting is one example of the non-cash benefits we non-poor receive.

But, if we are using an absolute measure of poverty, what is the point?<sup>1/</sup> The amounts of non-cash transfer to the poor have increased rapidly and dramatically. We should not let our preference that the poor be still less poor, or that their poverty be relieved by cash rather than in-kind obscure that important point.

<sup>1/</sup> Miss Orshansky has pointed out that if the income distribution reflected in-kind as well as cash and the poverty measure were reconstructed using her original methodology, the counted number of poor might actually increase. As constructed, the poverty measure is not precisely "absolute". But the measure is used as though it were absolute. In any event, the poor are less poor with their in-kind benefits than they would be without them.