



Cornell University
ILR School

ILR Review

Volume 58 | Number 2

Article 84

January 2005

Means-Tested Transfer Programs in the United States

Robert A. Moffitt

Follow this and additional works at: <http://digitalcommons.ilr.cornell.edu/ilrreview>

Thank you for downloading an article from DigitalCommons@ILR.

[Support this valuable resource today!](#)

Means-Tested Transfer Programs in the United States

groups may support unions' goals. If collective action is the end of a process of political action, rather than the beginning, labor's prospects may be improved.

Mark Thompson

Professor Emeritus
University of British Columbia
Vancouver

Economic and Social Security and Substandard Working Conditions

Means-Tested Transfer Programs in the United States. Edited by Robert A. Moffitt. Chicago: University of Chicago Press, 2003. ix, 644 pp. ISBN 0-226-53356-5, \$99.00 (cloth).

About 25% of Americans, and 38% of children under age 18, live in households that receive benefits from at least one means-tested transfer program. For poor Americans, the corresponding statistics are 67% and 85% (U.S. Census Bureau. http://ferret.bls.census.gov/macro/032003/pov/new26_001_01.htm and http://ferret.bls.census.gov/macro/032003/pov/new26_002_01.htm, accessed August 18, 2004; figures are for 2002). Such programs currently cost about \$1,600 per capita (p. 3). Their expense, their critical importance to the economic well-being of low-income Americans, and persistent concerns that they provide incentives for socially undesirable behaviors ensure that means-tested programs perennially remain of intense policy and research interest.

Since the early 1990s many means-tested programs have changed significantly, and research on them has grown in sophistication and continued to expand. This NBER conference volume is intended to help scholars and policy analysts keep up with the programs' changes and with developments in research. Robert Moffitt and the 11 other authors, all highly regarded experts on the programs they discuss, satisfy this intention extremely well.

The book's nine chapters examine the major means-tested programs in the United States. Those programs (and the chapter authors) are Medicaid (Jonathan Gruber), Supplemental Security Income (Mary C. Daly and Richard V. Burkhauser), the earned income tax credit (V. Joseph Hotz and John Karl Scholz), food and nutrition programs (Janet Currie), Temporary Assistance to Needy Families and its predecessor, Aid to Families with Dependent Children

(Robert A. Moffitt), low-income housing programs (Edgar O. Olsen), child care subsidies (David M. Blau), employment and training programs (Robert J. LaLonde), and the child support enforcement system (Robert I. Lerman and Elaine Sorensen).

All chapters follow the same template: a summary of the history and current rules and administrative arrangements of the program (or programs), descriptive information on the current caseload, expenditures, and recipient characteristics, and a review of theoretical and empirical analyses of the program's effects on efficiency and equity. The chapters on Supplemental Security Income, housing, child care, employment and training, and child support enforcement also discuss the economic rationale for public provision of these programs. Almost every chapter analyzes current policy issues and reform options in light of existing research and points out fruitful areas for future research.

Several chapters provide concise discussions of key methodological issues. The chapters on Medicaid, the earned income tax credit, and food and nutrition programs address identification issues when reviewing research on the programs' behavioral effects. The chapter on employment and training programs summarizes experimental and nonexperimental methods of program evaluation.

The broad scope, extensive detail, and high quality of each chapter are impressive. Each could stand on its own as a review article. The value added by having them published together is that readers can readily make cross-program comparisons of background information, analytic approaches, and findings on efficiency and equity effects common to most programs such as program participation, labor supply, demographic behavior, and effects on poverty and other indicators of economic well-being. Inevitably, the descriptive information will become outdated as time passes and policies change. The analytic frameworks will have enduring usefulness, however, and the reviews of empirical findings will remain good jumping-off points for future studies and literature reviews on the same issues.

The book will be essential reading for any economist or graduate student in economics who wants to come quickly up to speed before starting research on means-tested programs. Graduate students in fields such as public policy will also find the book helpful if they have good preparation in microeconomics and regression analysis. Specialists in one program will appre-

ciate the wealth of information that makes it easy to catch up on developments in other programs. Experts on means-tested programs in other countries may want to consult the book for the broadly applicable conceptual and methodological frameworks it provides.

Excellent chapters, each sharply focused on one type of means-tested support, ensure that readers become knowledgeable about separate programs. But this strength is also a limitation. Though most chapters briefly discuss interactions between their program(s) and some of the others, none provides an analysis of the "system" of means-tested benefits. The book's value for policy analysis, research, and teaching would have been enhanced by a tenth chapter that looked across programs, considered differences in eligibility rules, pulled together common analytic issues, and examined multiple program participation, cumulative marginal benefit reduction rates, interactions with social insurance programs, and other structural aspects of America's current set of means-tested transfer programs. These issues and their implications for reforming means-tested transfers have challenged policy-makers and analysts for more than 30 years. Such a chapter might also have offered an informed, albeit inexact, assessment of means-tested programs' overall behavioral and efficiency effects and provided evidence on the programs' joint impact on income poverty, income inequality, and other measures of economic well-being and income redistribution.

Despite this missed opportunity, *Means-Tested Transfer Programs in the United States* is a superb addition to the literature on income support programs.

Robert D. Plotnick

Professor of Public Affairs
University of Washington

Human Resources, Management, and Personnel

Shakespeare, Einstein, and the Bottom Line: The Marketing of Higher Education. By David L. Kirp. Cambridge, Mass.: Harvard University Press, 2003. 328 pp. ISBN 0-674-01146-5, \$29.95 (cloth).

How are market pressures reshaping higher education in America? This book presents vignettes depicting recent changes in twelve colleges and universities to illustrate how market

forces have affected different institutions. Each story describes the characters who make decisions, their responses to challenges, and the outcome.

To make itself more attractive to undergraduates, the University of Chicago made significant changes in advertising, curriculum, and amenities for students. Although the university president who promoted the changes left his post under pressure, the changes succeeded in increasing the University's appeal to undergraduates. A new president at Dickinson College gave the college more international emphasis, reformed financial aid policies, and succeeded in reviving the college's fortunes. The University of Virginia gave its Darden Graduate School of Business Administration considerable freedom to become self-financing. Other vignettes address events at NYU, New York Law School, and the Universities of Southern California, California-Berkeley, and Michigan.

Among the most interesting accounts are those involving proprietary higher education. The first of these stories contrasts Columbia University's short-lived effort to launch a for-profit subsidiary called Fathom to produce and sell online courses with MIT's foundation-financed program to make its online course materials available without charge. Here open access seems to have been the right call. Columbia sought profits from charges for its online services but failed to generate revenues and closed its online venture. MIT gave access without charge and continues to do so.

A second story on proprietary higher education discusses the British Open University's \$10 million effort to enter the American market for distance education. This effort failed after three years, in contrast to the success of similar programs the institution had launched in Britain. The book identifies three possible causes of the failure: Open was slow to win accreditation; its course materials were too British; and in the United States, unlike in Britain, tutorial support was not offered. The author also might have suggested that it is hard to find an unfilled niche in the American market, where community colleges are ubiquitous and the proprietary sector robust. Perhaps \$10 million of initial capital was too little.

A third discussion considers the institutions that provide certification training for Cisco and Microsoft. Proprietary training academies that offer "boot camps" with highly concentrated training, private technical colleges and public community colleges that offer certification alongside degree programs, and the extension