

Insuring the Poor

By Amitai Etzioni

DESPITE REPEATED publication of the relevant statistics, many Americans still believe the War on Poverty merely represents a wasteful expenditure of government funds. The taxpayers' hard-earned dollars, they feel, are used to transform able-bodied men into idlers and public parasites. The great majority of the poor receiving public assistance, however, are simply unable to work. This includes more than 700,000 blind and disabled persons, more than 2 million aged, and almost 4 million children.

In the case of others requiring aid, jobs alone have proved to be inadequate remedies for their condition. Of the total 1.1 million mothers on the welfare rolls, some are employable—but it is questionable whether society would benefit in the long run if they worked rather than tended to the rearing and education of their children. (This does not apply, of course, to mothers of older children, or where effective day-care facilities are available.) Of the 160,000 poor, able-bodied fathers, many are in fact employed most of the year, but at wages which nevertheless keep them and their families in poverty.

A great number of individuals

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move in *and* out of poverty (defined as a family income below \$3,000), demonstrating that not all poor people are without initiative or desire to work. In any event, these qualities do not necessarily keep a person out of poverty. A hard-working coal miner, steam engine operator or farmhand, for example, may easily lose his job because of technological advances or a slowdown of the economy.

Leaving aside, then, the problem of causation, the question is: How may the War on Poverty itself be most effectively waged? My own studies have led me to conclude that an insurance scheme, administered by a consortium of private insurance corporations with the help of some Federal underwriting, is the surest answer.

Under this system, a beneficiary would be guaranteed that should his family income fall below a specified level of, say, \$6,000 a year, the insurance would cover up to 50 per cent of the difference between the family income and \$6,000. Able-bodied individuals who are out of work would be paid the same benefits—in other words, a ~~minimum~~^{maximum} of \$3,000—only if they can show that jobs are not available. The merits of the plan become evident when it is compared to other proposals currently being discussed.

One is a guaranteed minimum income, commonly referred to as

the Negative Income Tax, advanced by 2,000 economists who signed a petition last year on its behalf. Under this scheme, all poor people would receive a monthly check from the Federal government to keep them above the poverty line. Senator William Proxmire was somewhat overpessimistic when he cracked that he doubted there are 2,000 citizens who support the Negative Income Tax. A Harris poll taken in August 1967, though, reported that only 28 per cent of the public favored the plan; a more recent Gallup poll, taken in January 1969, shows a mere 4 per cent increase in that figure.

The Office of Economic Opportunity has been urging a type of guaranteed minimum income, while the Department of Health, Education and Welfare (HEW) and many national and local leaders seem to be dead-set against it. But whatever its virtues, this approach is considered to have little political appeal.

Key members of the Johnson Administration and such liberal social scientists as Alvin Schorr at HEW and Alfred Kahn at the New York School of Social Work, have preferred a combination of increased Social Security benefits for the aged and the introduction of a monthly allowance per child for every family regardless of need. A program of this sort already exists in many countries throughout the

world. Its main drawback as an antipoverty device is that 60 per cent or more of the payments would go to the nonpoor. Then, too, its estimated cost of up to \$40 billion a year make it a highly charged political issue.

The antipoverty insurance program I suggest would only pay out to those in danger of falling into poverty, and hence would be low in cost. At the same time, it would be attractive and valuable to a large segment of the nonpoor, just as automobile insurance is vital for those who never have an accident, allowing them peace of mind and a sense of protection.

Millions of Americans hover just above poverty. Many are past middle age, but not yet eligible for Social Security. In the event of illness, they have to depend on their children, relatives or relief for support. Others are small businessmen and artisans—proprietors or non-salaried workers—whose income fluctuates and who need security against extreme want. (A high proportion of the small businesses launched each year collapse.) These people, I expect, would be inclined to buy antipoverty insurance if it were not priced too high, and would favor a political program that provided it, even though they do not at present support other schemes having a similar objective.

Those already impoverished would be allowed to purchase policies when first issued and draw benefits immediately. (Public assistance could pay the premiums.) From then on, only persons who had insured themselves and held their policies for a specified period would be protected.

Antipoverty insurance would differ from Social Security, which only pays benefits to persons who are 65 years or older and to some categories of the disabled. Since the benefits are usually not sufficient to take their recipients out of poverty, they need to be supplemented. Furthermore, Social Security is a

costly vehicle because it pays equal amounts to the rich and the poor.

In contrast to existing unemployment insurance programs, the benefits of insurance against poverty would not be conditional on the fact or duration of previous employment, or on level of income. The assumption is that if a person is honestly willing to work but can find none, he should be able to receive assistance until a job is available, and on a level sufficient to protect him from poverty.

TO KEEP PREMIUMS low, it would be necessary to raise funds from various sources. James



Farmer has suggested the selling of antipoverty bonds, patterned after Series E Defense Bonds. In addition to earning interest, they would have a "social consciousness" appeal. The Federal government, too, might provide a subsidy. But because the insurance would have an income from premiums and bonds and would only pay out benefits to the poor, it would require substantially less funding than other antipoverty plans.

Administration of the program by a new corporation—a consortium of private insurance corporations and Federal representatives (in proportion to government appropriations)—would create a kind

of antipoverty COMSAT able to draw on the experience of the insurance industry for smooth operation. And it would be in the corporation's interest to promote job-training and placement efforts, for they could tangibly reduce its expenditures.

The importance of preserving the incentive to work would be recognized by a "deductible" policy feature similar to those in several accident and sickness plans. If a person's income falls below the specified level, only half the loss would be compensated. This also means that if a recipient does work, he would not be penalized by the elimination of benefits, which would be reduced by only 50 cents for each dollar he earns until he again moves above the specified level.

To draw benefits, an insured person would have to file a declaration of total income, perhaps on a simplified version of the Internal Revenue form, once every six months. This could be spot checked, unless a return seems obviously out of line, following the existing pattern for tax returns or car insurance claims. Studies show that cheating is likely to be at a minimum, and much less costly than under present welfare programs.

Antipoverty insurance would not be a miracle cure for all of poverty's ills. It certainly does not deal directly with many psychological problems inflicting some of the poor, such as alcoholism, drug addiction, crime, the effects of slum housing, and so on. But it does seem to me to provide a relatively inexpensive, efficient, and politically feasible way to combat the poverty of those unable to work and of the temporarily unemployed. Equally important, by covering both the poor and nonpoor it would remove the debilitating stigma and sharp division of the country into "haves" and "have nots" that many other antipoverty approaches entail.