

Compared to What?

POSC 459 — Social Welfare Politics and Policy

Week 3 · Wednesday, September 9

Howard ch. 1, "She's So Unusual" · Desmond chs. 3–4

Today

1. **A paragraph, and what is wrong with it** (~10 min)
2. **Your own prompt, audited** (~20 min)
3. **Howard: is the American welfare state small?** (~20 min)
4. **Desmond: underpaid, and overcharged** (~20 min)

Read this. Assume nothing.

Four minutes on your own. Mark anything you would want to verify before you believed it.

Then three minutes in pairs: compare lists.

What did you find?

Everything you would want to check before believing it — **on the board, before I say anything.**

Your turn — in pairs, ten minutes

Open ChatGPT Edu, TitanGPT, or PapyrusAI. Ask it:

"Explain why some welfare programs are more politically popular than others."

Then audit the answer:

- What did it **assume about who deserves help**, and on what basis?
- **Whose perspective** is centered, and whose is missing entirely?
- What **institutional or historical context** is absent?
- Where does it sound **most confident** — and is that where it is best supported?

The prediction

It will reproduce the **work-ethic and deservingness** distinctions almost verbatim, because that framing saturates the text it learned from.

If it does: the tool is not neutral about the thing we study, and its fluency is what makes that hard to see.

If it does not: that is more interesting. What did it do instead, and where would it have gotten that?

Three arguments, one shape

The AI's account of "popular" programs left things out, and the omissions were not random.

Howard, chapter 1: the standard measure of a welfare state leaves things out. What it leaves out makes the United States look small.

Desmond, chapters 3–4: the standard account of poverty leaves things out too. What it leaves out is the people on the other side of the transaction.

Same complaint about the instrument. **Opposite directions.**

Both of them wrote a while ago. Where a figure on these slides differs from the one in your book, you get both — the book's is in parentheses.

We are not unusually unlucky. We are unusually harsh.

You saw the compressed version of this in Week 1. Here are the numbers under it.

Across 29 rich democracies, U.S. **rates** of low education, single motherhood, young household heads, and joblessness sit *below* the cross-national average: **25.4 percent** of American households carry at least one of the four risks, against a 29-country mean of **30.9 percent**. Only nine countries have fewer.

What the U.S. has the most of is **the penalty attached**. Sum of penalties: **.914**, against a cross-national mean of **.507**. **First of twenty-nine**.

On joblessness — <i>no one in the household employed</i>	Count
Rich democracies with <i>more</i> of it than the U.S.	19
Rich democracies that penalize it <i>more</i> than the U.S.	4
Rich democracies that penalize it <i>less</i>	24

Brady, Finnigan, and Hübgen, *American Journal of Sociology* 123(3): 740–786, 2017.

The penalty, in three comparisons

	Elsewhere	United States
Single-parent household poverty	Denmark: 8.2%	46.3% (<i>your textbook: 33%</i>)
Earnings without a high school degree	Finland: no gap	-24%
College wage premium	Norway: +20%	+68%

Poverty: OECD Family Database, 2016. Earnings: OECD Education at a Glance, 2016.

The events are ordinary. **The landing is a choice.**

A choice implies someone chose. Howard spends today's chapter arguing we have been mismeasuring what was chosen. Desmond spends his arguing we have been looking at the wrong end of the transaction.

Everybody knows the American welfare state is small

Forty years ago Harold Wilensky called the United States a "**reluctant welfare state.**" Since then: semi-welfare state, welfare state laggard, residual, incomplete.

The number behind the consensus, 1997 public social spending as a share of GDP:

United States	Denmark	Sweden	Finland	17-nation average
15.8%	35.9%	35.7%	33.3%	25.6%

Howard: *"Consensus on this point has become so complete that few people have stopped to question its accuracy."*

Move the instrument, move the number

Country	Spending / GDP	Minus taxes on benefits	Plus tax expenditures
Denmark	35.9%	26.7%	26.7%
Sweden	35.7	28.5	28.5
Netherlands	27.1	20.2	20.3
United Kingdom	23.8	21.1	21.6
Canada	20.7	17.8	18.7
United States	15.8	15.0	16.4
<i>17-nation average</i>	<i>25.6</i>	<i>21.3</i>	<i>21.6</i>

Scandinavian governments say: *I'll spend a dollar on your social welfare as long as you give me 25 cents right back.*

The U.S. was **60%** of the average. It is now **75%**. Sweden was 2.3 times our size. Now it is 1.7.

Compared to what?

Bill and Melinda spend **less than 2 percent** of their annual expenses on food. Nationally the average family spends **14 percent**.

Are they starving? Should someone call social services?

They are the Gateses. **Two percent of their expenses buys a lot of dinner.**

The U.S. has the largest GDP and the highest GDP per capita in the group. It can devote a smaller *share* and still spend more *per person*. Net social spending per person, purchasing power adjusted:

Denmark	Norway	Italy	Finland	United States	Netherlands	UK
\$6,812	\$6,532	\$5,125	\$5,081	\$4,809	\$4,495	\$4,424

Sixteenth of seventeen by share of GDP. **Ninth of seventeen per person** — and above the \$4,782 average.

Say a few words about the air force

Limiting the welfare state to social insurance and grants, Howard says, makes about as much sense as limiting national defense to the army and the navy.

The United States delivers social policy through **six tools**:

Social insurance · Grants · Tax expenditures · Regulation · Loan guarantees · Tort law

- Europe subsidizes employers to hire the disabled. We passed the **ADA** and made it a rule. Subsidies show up in the comparison. Rules do not.
- Europe compensates injury through public funds. We **sue**. Legal costs, claims, and awards run at least twice the GDP share here as elsewhere.

Housing, counted three ways

Count grants only. Public housing plus Section 8 $\approx$ 5 million units, under **5 percent** of U.S. dwellings. Subsidized rentals: 15% in France and Germany, 25% in the UK and Denmark, 40% in the Netherlands. We are not close.

Add loan guarantees. Over 7 million FHA and VA mortgages — more households than public housing and vouchers combined. Now **~7 percent** of all dwellings.

Add tax expenditures. Mortgage interest deduction: 30 million returns, \$53 billion. Property tax deduction: 32 million owners, \$18 billion. Capital gains exclusion on home sales: \$12 billion. Together, nearly **three times** what we spend on low-income rental grants.

Total: **35 to 40 percent** of residences. Counting owners who benefited in past years, **50 to 60 percent**.

Howard's verdict, and what he gives up

The answer is no. The American welfare state is not unusually small. It has been measured wrong, for a long time, by people who then spent careers explaining a fact that was not one.

The question stops being *why does the U.S. government do so little* and becomes: **why do governments of similar size pursue similar goals through such a different mix of tools?**

He concedes the rest in a single paragraph. The American welfare state may still be exceptional for its:

- **limited scope** (family policy, health insurance)
- heavy reliance on **means-tested** benefits
- **weak public support**
- **failure to reduce inequality and poverty**

Howard wrote in 2007. We checked.

His case rests on 1997 figures. On the OECD's current net series:

	Howard's 1997 finding	Most recent (2021)
Gross public spending, % GDP	US 16th of 17	US 13th of 17
Net public spending, % GDP	US 16th of 17	US 7th of 16
Net total social spending	US 11th of 17	US 1st in the OECD

His argument is stronger now than when he made it. Net total US social spending is **33.2 percent of GDP** — the highest of any OECD country.

And the caveat he does not give you: US **private** social spending is 12.8 percent of GDP, and **6.3 points of that is health care.**

Desmond: there are many ways to be exploited

Underpaid relative to what you produce — labor exploitation.

Overcharged relative to what you buy — consumer exploitation.

"Our economic freedom is limited when we don't have resources at our disposal. When we don't own property or can't access credit, we become dependent on people who do and can, which in turn invites exploitation, because a bad deal for you is a good deal for me."

Julio Payes, Emeryville, California, 2014. Eighty hours a week across two full-time jobs: the graveyard shift at a 24-hour McDonald's, 10 p.m. to 6 a.m., then a temp placement 8 a.m. to 4 p.m. Both at minimum wage.

"I felt like a zombie. No energy. Always sad." His eight-year-old brother offered to buy an hour of his time. He fainted in a grocery store aisle at twenty-four.

Did they have to?

1946. George Stigler, thirty-five, publishes "The Economics of Minimum Wage Legislation" in the *American Economic Review*. Raising the minimum wage will raise unemployment. His evidence is **hypothetical data** — a numerical story he invented to illustrate the theory.

It becomes orthodoxy. It goes **untested for nearly fifty years.**

1992. New Jersey raises its minimum wage; Pennsylvania does not. David Card and Alan Krueger survey **410 fast food restaurants** in each state, before and after. New Jersey fast food jobs do not decline.

Hundreds of studies since. The bulk of the evidence: the employment effect of raising the minimum wage is **inconsequential.**

| If Julio had manned the grill at a McDonald's in Denmark, his paycheck would have been double.

What actually changed: power

Then. Through the 1950s and 1960s nearly **a third** of U.S. workers carried union cards. In 1970 alone, 2.4 million union members took part in work stoppages. Worker pay climbed and CEO compensation was reined in.

Now. About **one in ten** American workers is in a union, most of them firefighters, nurses, and cops. **94 percent** of private sector employees have none. Roughly half of nonunion workers say they would organize given the chance.

- **1981:** 13,000 air traffic controllers fired. Corporate America learns it can crush a strike with minimal blowback.
- **2016–17:** employers were accused of breaking federal law in **41.5 percent** of union election campaigns — illegal firing of organizers alleged in a fifth to a third, depending how you count.
- **The fissured workplace:** Apple directly employs about **166,000** people (*Desmond says 63,000 — that figure was a decade stale when the book went to press*). The workforce that builds its products is far larger, sits with contract manufacturers, and Apple publishes no number for it.

| "Our grandparents had careers. Our parents had jobs. We complete tasks." — Gerald Davis

The EITC, twice

Howard: the Earned Income Tax Credit is a tax expenditure. It is the reason his column C moves. It is the hidden American welfare state, doing quietly what Europe does through visible transfers.

Desmond: the EITC reaches roughly **24 million** workers and families, average payment about **\$2,900** (*the book: 25 million at \$2,411 — those are 2020 figures*). Its loudest champions are Walmart, the U.S. Chamber of Commerce, and the National Restaurant Association.

"By introducing employees to these benefits, businesses help their employees — and help themselves." — Institute for a Competitive Workforce

13.8 million working adults rely on Medicaid; **10.6 million** live in households on food stamps (*the book: 12 and 9 million, for 2018*). About two-thirds work full time; 88 percent work in the private sector.

17 of the 50 largest Fortune 500 companies by employee count rank among the top 25 employers of Medicaid or SNAP recipients in at least two states.

Same program. Is it evidence the welfare state is bigger than we thought, or evidence it is a wage subsidy?

Overcharged: the rental market

Median asking rent on a vacant unit — the price facing someone who has to move: **\$483 in 2000. \$1,216 in 2021. \$1,492 in 2025.**

Not enough supply, we are told. Too much demand. Then explain Birmingham, where **19 percent** of rental units sat vacant at the end of 2021 and rent rose 14 percent anyway.

Desmond and Nathan Wilmers, restricted Census landlord data — monthly profit per unit:

Neighborhood	Before maintenance	After every expense
Poor	\$298	\$98
Middle-class	\$225	\$3
Rich	\$250	\$49

Indianapolis: median two-bedroom rent **\$991** metro-wide, **\$816** in neighborhoods above 40 percent poverty. **Seventeen percent less.**

Lakia Higbee's \$373

Cleveland, fall 2021. Amazon warehouse picker. Four-bedroom house, two adult daughters, a sixteen-year-old son, two granddaughters.

Rent: \$950 a month. The windows were thin enough that the winter heating bill could reach \$500.

The mortgage on that same house, on conventional terms, would have been **\$577** — taxes and insurance included.

\$373 a month. Enough to replace the windows.

She could not get the mortgage. Banks are not interested in financing homes that cheap. Redlining ended in 1968; the neighborhoods still function as **mortgage deserts**.

What it costs to have no money

- **Overdraft.** The largest banks took **\$11.68 billion** in 2019. On that same measure, 2023: **\$5.83 billion** — halved. Count credit unions, which nobody was counting, and the 2024 total is **\$12.1 billion** and rising.
- **Who pays.** About **9 percent** of account holders pay roughly **79 percent** of the fees (*the book says 84*) — the ones whose end-of-day balance sits under \$350.
- **Check cashing.** One to ten percent of the check. A worker earning \$10 an hour who cashes a \$1,000 check pays \$10 to \$100 to receive money already earned: **one to ten hours of work.**
- **Payday.** A two-week \$300 loan runs an APR of **664 percent in Texas.** Four in five loans are rolled over. About **\$2.4 billion** in fees a year across thirty states (*the book says \$9.8 billion; no source we could find reports that*).

Desmond totals the fringe at **\$61 million a day.** On his own measure it is now about **\$25 million.** Count credit unions and it is **\$42 million.**

The fee fell because people made it fall. Then people made it stop falling.

Two exceptionalisms

Howard: the United States spends about what its peers spend. We measured it with one instrument, missed four tools, and built a literature on the error.

Desmond: the United States takes more back than its peers take. Underpaid at work, overcharged for housing, and charged again for access to their own wages.

Brady and colleagues found ordinary rates of misfortune and the harshest penalties in the rich world. Howard says the state is not absent. Desmond says the market is unusually present.

If both are right, where does the money go between the appropriation and the outcome?

Who benefits?

Not *why don't you find a better job.*

Not *why don't you move.*

Not *why don't you stop taking out such bad loans.*

Who is feeding off this?

Due and next

- **Discussion Paper 1** — *Growing Up Poor in America*, both parts, with Howard ch. 3 or Pierson: **Friday 9/18**, 11:59 p.m., on Canvas. Part 2 of the film arrives next week.
- **Pre-survey**, if you have not done it: **Friday 9/11**.
- **Week 4 is asynchronous — no class meetings 9/14 or 9/16**. Howard ch. 3 and Pierson (1993), plus Part 2 of the film. Everything by Friday.