Part A of this case discussed the history of the welfare reform debate up through President Nixon's January 1969 request for an analysis of the New York "welfare mess." Part B continues from that point through the formal proposal of the Family Assistance Plan by the President in August 1969.

Moynihan's First Memorandum to the President

By the end of January 1969, Moynihan was in a difficult position. One of his first major assignments was to respond to an angry memorandum from the President, a memorandum with which he did not agree. As the only Democrat in the policy councils he could hardly attempt to defend those "purely political programs." However, Moynihan considered the position he should take to be clear:

The Nathan Task Force came up with an idea for minimum national standards. I thought this was a good thing to do. I certainly thought it was the most that I could do and began, in a general way, to press this position.1/

Moynihan wrote a 12-page memorandum in response to the President. It was typical of many that were to follow. He mixed rhetoric with data, analysis with opinion, and ended up with an immensely readable essay on welfare in New York City and some problems of AFDC in general.

Moynihan began by writing, "Like the girl and the book about crocodiles, I fear that I may end up telling you more about welfare in New York City than you want to know."2/ He noted that Mayor Lindsay had asked him to serve on a poverty task force just before his inauguration. Moynihan suggested that there was a serious problem in family structure in the city, leading to increased dependence on welfare. He wrote the President:

I must report that he and the rest of the group dismissed the idea as ridiculous, charging that the 400,000 plus number of welfare recipients then on the rolls was simply a mark of the incompetence of the Wagner administration, all of which [would] soon be a thing of the past.3/
He went on to note that there were one million people on welfare and that in 18 months the best estimates predicted 1.3 million. One out of every eight people in the city was on welfare. "What I sensed would happen," he asserted, "has happened, but three years and much writing later I still don't really feel like I know any more about why." 4/

The memorandum then described his report on the Negro family and how it demonstrated that family structure seemed to relate to male employment. In the 1960's, however, the correlation stopped, with unemployment going down and AFDC cases going up. "All I can really tell you four years later is that this non-relation has continued." 5/

Moynihan reported the results of a study conducted by Professor Lawrence Podell for the New York Legislature. He wrote, "There is no really conclusive evidence in favor of any explanation of New York's experience, but a number of hypotheses can be rejected." 6/ The rise was not due to migration, as ". . . new arrivals account for only a few percent of the cases recently added. . . ." 7/ Publicity to induce the poor to sign up for Medicaid was conducted state-wide during the period. "[b]ut nowhere else was there a rise in welfare comparable to that in the city itself." 8/ The welfare rights movement and the poverty program were given credit for organizing the poor to demand welfare entitled them, but ". . . a comparison of neighborhoods where organizing efforts did take place and those where it did not fails to show any significant difference." 9/

Proceeding to explanations, he noted in answer to the President's worries, "There are strong indications but no proof, that case workers have become increasingly lenient in applying standards to welfare applicants" 10/ . . . . "There has also been a marked increase in the number of female-headed families in New York which, by definition, are most likely to depend on welfare." 11/

Moynihan argued that there were two underlying causes of the growth of welfare caseloads. First:

It is increasingly clear that the amount of money a low-skilled male family head can earn in a city such as New York is just not enough to maintain a family at what are now expected standards of living. 12/

Under a work incentive scheme, female family heads could get up to $4,900 in wages and welfare payments. This amounted to an average weekly income of $94.23 as contrasted with an after-tax factory wage for a male of $90.01. The second
cause was the possibility that being on welfare itself led to family break-up, because Podell found that most families came onto the rolls before the parents separated.

Moynihan quite strongly asserted that the President should take a stand:

I believe the time has come for a President to state what increasingly is understood: that welfare as we know it is a bankrupt and destructive system. It destroyed the American Indian. It is destroying the lower-class Negro and Puerto Rican, while the telltale signs of matriarchy, family break-up and general social miasma are showing up in Appalachia as well.13/

He went on to say, "It is also necessary to state that no one really understands why and how all this has happened."14/

Moynihan presented his recommendations:

I believe the single most dramatic move you could make would be to send a message to Congress calling for a national minimum standard in welfare. This should be accompanied by the appointment of a national commission to find out what is going on. Certain federal requirements for state participation should be proposed, principally that all states adopt the AFDC-UP program, instituted in 1961, which enables families with an unemployed male head to receive benefits.15/

He further urged the President to accept the recommendations of the Nathan Task Force as the basis for the national minimum standards program.

Under the heading "Apologies," Moynihan stated in reply to the President's idea of a congressional investigation:

I wish I could tell you that a real tough enquiry into the New York City mess would produce much political or societal benefits. I doubt it. It would mostly give the Welfare Rights Movement a chance to create martyrs. The fact is, the more one knows about welfare, the more horrible it becomes: but not because of cheating, rather because the system destroys those who receive it and corrupts those who dispense it.16/

He concluded by saying:

I leave you with the thought that the Pennsylvania Society for the promotion of Public Economy called for "a radical change in the present mode of administering
charitable assistance (and a new arrangement of public relief on the grounds that) present methods create and prolong dependence"—in 1817. How do you wish me to proceed?17/

The most important feature of this paper was its attempt to educate the President as to the complexity of the welfare issue. Moynihan carefully introduced the subject while frequently protesting his own ignorance about some of its aspects. He was evidently troubled by the effects of welfare on family structure, no matter how it was operated. His argument seems aimed at a justification of other proposals that he favored as possible alternatives to welfare for intact families: family allowances or the government becoming the employer of the last resort. Although his misgivings about welfare went to its core, he did believe that some improvements could be made in it in the short term. The Nathan recommendations had provided an opportunity to present what were considered very liberal proposals. In response to an angry presidential memorandum asking for a congressional investigation, Moynihan chose to try to educate the President and to get him to endorse improvements in the system costing between one and two billion dollars.

The recommendation for a commission study must be understood both in the context of Moynihan's argument and in that of a current political dispute within the White House. Moynihan saw the commission as a way to develop some satisfactory explanations of the welfare phenomenon, to come up with some far-reaching solutions, and to begin to gain exposure for them. He saw the Nathan proposals as the most he could obtain at that time. The commission was to begin to lay the groundwork for the next round.

The choice of a commission as the tool for this next step was shaped by a recommendation by Arthur Burns that the Commission on Income Maintenance Programs be disbanded. The Commission had written to the President-elect offering to have its Chairman, industrialist Ben Heineman, step down to the status of member and thus allow Nixon to appoint his own chairman. They received only a polite reply in response. Burns then proposed terminating the Commission and Moynihan countered that the group would only issue a quick report and a denunciation of the Administration. He was, incidentally, correct in the first point. The staff of the Commission had already begun to make plans to produce a report in a short amount of time.18/ Given this situation, Moynihan's proposal for a commission study can be seen as an attempt to get the President to endorse the idea of a commission and use that as a justification to continue the commission then in existence.
The form of the January 31 memorandum established what Moynihan felt his role as well as that of the Urban Affairs Council should be. He evidently viewed his role as that of one of several advocates for ideas around the President. The UAC was to be used as a forum for discussion and as a staff mechanism to work out the details of proposals. In those areas where there was not any apparent path which should be followed, the subcommittee could initiate work on the proposals. However, Moynihan felt that the first item on the domestic agenda should be the reform of the welfare system, and therefore proceeded to argue for a particular proposal outside of the formal structure of the council.

National Standards: Round One for Moynihan

The arguments set forth by Moynihan seem to have had an immediate effect on the President. On February 3, the President appears to have directed the UAC to begin at once to develop a welfare reform program. Burns, who did not endorse the Nathan report, appears to have sensed that the President might be on the verge of approving some costly action. On February 11, he sent a memorandum to the President agreeing with Moynihan that "our welfare system is in serious trouble." However, he went on to say:

The answer is not to call for billions more in welfare payments. This may only compound the problem. The desire to do something—such as setting up national welfare standards—should be resisted until we have a clearer idea of what the results may be.

The American people are losing patience with our welfare system. The want and expect you to provide the leadership toward effective reform—that is, a reduction in the number on welfare rolls, accompanied by an increase in the number on payrolls. To spend billions more without any reasonable expectation of such an improvement would seriously alienate hard-working citizens.

Burns urged the President not to commit himself "... to any extension of welfare benefits, such as is now being urged by many..." until a crash investigation could be undertaken. He suggested that several research teams could do the job in two months.

It is not clear whether this memorandum came to the attention of the President. Burns had been appointed to be the chief domestic adviser to the President, yet his advice was not heeded. The day after the Burns memorandum was
written, February 12, the President met with Burns, Finch and Moynihan. At that meeting the President informed his chief domestic advisers that he wanted to establish national welfare standards. Stephen Hess, Moynihan's deputy, drafted for Moynihan's signature a reply to the Burns memorandum the next day. It stated:

Subsequent to Dr. Burns' memorandum to the President of February 11, the President met with Dr. Burns, Secretary Finch and myself on February 12 and stated that he wished to set up national welfare standards. This proposal is being developed by Secretary Finch's Subcommittee of the Urban Affairs Council, which is expected to report within two weeks.22/

Moynihan seems to have been an effective advocate. He had managed to place the problem of welfare on the agenda in such a way as to gain the attention of the President and to get his approval for a costly reform less than one month after the Administration took office. If the President had seen the Burns memorandum, his decision would seem to indicate that the Moynihan argument was very powerful indeed. If, as is more likely, the memorandum had not reached him and was still in the hands of the staff secretary, Burns must have been in a very uncomfortable position listening to the President's decision.

Even before the President's decision, the Urban Affairs Council Subcommittee on Welfare, chaired by Secretary Finch, had met to discuss the national standards approach. The President requested a status report on the work of the welfare subcommittee two days after his decision. John Price, who was the UAC staff member in charge of welfare, prepared a reply for Moynihan. The memorandum noted that the subcommittee had met a week earlier and reviewed a staff paper which proposed a $40-a-month national standard per person. "The staff paper contained a variety of proposals to create greater incentive to work among welfare clients."23/

The working level staff . . . is to have a fresh staff paper prepared for consideration of the Urban Affairs Council subcommittee no later than March 1st, and hopes to have a presentation ready for the Urban Affairs Council no later than March 15th. . . .24/

In the period following the President's decision, Moynihan wrote a series of memoranda in response to questions from the President. On March 1, he responded to the question of why the break had occurred in the relationship of the AFDC caseload and the male unemployment rate. He cited a
number of reasons, including a rise in the program acceptance rate, an increase in the number of unmarried mothers, changes in the law, and population shifts. He wrote:

In sum, the bulk of AFDC recipients are now made up of persons not associated with husbands or fathers with an attachment to the labor market. They are drawn from a population that is rapidly growing in size. As a result, changes in the labor market no longer affect the number of AFDC recipients.25/

He concluded, "National welfare standards are urgently needed. . . ."26/

The President then asked what the social acceptability of welfare programs was. Moynihan summarized his eight-page response in this way:

In the first place, there seems to be rather mixed general public attitudes toward welfare, which combine a strongly sympathetic feeling for truly needy people, with a cirectoraltion toward the fact of widespread cheating. In addition, there are some fairly clear racial overtones to attitudes toward welfare and poverty.27/

Next, the President inquired whether the increases in the AFDC caseloads might be related to a change in the attitude of the poor toward welfare. Another eight-page response said, in short, "Yes, there seems to have been some change in attitude. Welfare would seem to be less stigmatizing now than in the past."28/ Although the President did not ask for recommendations, Moynihan again inserted his position: "With every day I am more convinced that a National Welfare Standard is necessary. . . ."29/

To supplement his arguments, Moynihan had Paul Barton of the Labor Department put together a 40-page analysis of the reasons for the rise in the welfare rolls.* The analysis was released as an Urban Affairs Council document entitled, The Relationship of Employment to Welfare Dependency.30/

Throughout the first two months of the Administration, Moynihan dominated the discussion of welfare reforms. It was he who managed to recapture a place for the Nathan work on the President's agenda. It was also he who provided a constant stream of information to the President, reinforcing

* Barton had worked with Moynihan five years earlier in preparing the report on the Negro family.
the need for changes in the AFDC program. These efforts ensured at the beginning that welfare reform would be a major item on the agenda of the Nixon Administration. Even if a major change such as family allowances could not be successfully proposed, at least a start would have been made.

Reenter HEW: The Case against National Standards

The Urban Affairs Council Welfare Subcommittee was assigned the development of a plan to execute the President's decision to implement national standards. Earlier, a staff paper was developed from work conducted by Nathan's staff in the Bureau of the Budget, which had begun preparing analyses and cost estimates of the proposals set forth in the Nathan Task Force report. John Price was assigned by Moynihan to coordinate the staff work for the welfare subcommittee. He rewrote the Nathan report to reflect the new work done in the first weeks, and presented it as the staff paper. The draft was completed on February 4.

As in the task force report, the paper concentrated on the problem of the "... wide variation in assistance levels among states. ..."31/ It proposed national minimum standards of payment as a solution to the problem but noted that this type of approach also contributed to solving a problem beyond that of a disparity of payments:

The basic purpose of this proposal is to help overcome the financial drain on those states now providing assistance payments that are adequate to support a decent standard; and for those states that do not, to establish a federal floor for assistance which, together with reasonable maintenance of state effort will be sufficient to support a more adequate standard.32/

The focus of this proposal remained the same as that of the task force report: fiscal relief for the states. The plan would have cost approximately $1.4 billion and resulted in about $1.2 billion in fiscal relief for the states. Over half of the state savings would have gone to the eight largest urban states, which had 47 percent of the welfare caseload and paid 67 percent of all state matching funds.

This paper was discussed at a meeting of the welfare subcommittee shortly after it was prepared. At that meeting
it received general approval.* George Shultz, the Secretary of Labor, did note that the paper gave little attention to training the welfare recipients for work, and that it paid no attention at all to the problems of the working poor—those poor families with a male head who works. There also was some criticism of the paper's federal floor formula, which provided no new benefits to the recipients. The staff, led by John Veneman, the Under Secretary of HEW, was instructed to remedy these problems in a new paper.

The Price paper was given to Worth Bateman for comment. In January, Bateman, preparing to leave the department, had been asked to serve on an HEW Task Force on Welfare and Social Security headed by Tom Joe. Joe, who was blind, was a confidential assistant to Under Secretary Veneman and had conducted a study of welfare for the California legislature.34/ As the Joe group began its discussions, Bateman began to present his argument as to why the current system had failed and why a solution such as creating national standards should not be pursued. He noted that setting the standards exacerbated the problems of inequity between those of the poor eligible for payments and those excluded. He contended that the major problem was with the categorical nature of the AFDC program. Unless the program was broadened, he said, and included all the poor, the inequities would continue to exist.35/ Bateman was somewhat surprised to find that these arguments received an initial positive response. He recalls that Joe's reaction was, "That's very interesting, tell me more."36/

Batemen saw this request to analyze the Urban Affairs Council paper as an opportunity to continue the kind of efforts that had begun in the Johnson Administration. The transition had brought a favorable change for the NIT advocates:

Within HEW, people like Alice Rivlin and myself found themselves with basically a new audience but were very well prepared to present the kind of program they had been working on for several years.37/

Within one day of receiving the paper, Bateman had drafted a seven-page critique:

I wrote a very critical response to the White House paper, essentially laying out the reasons why I felt an

*The Burkes disagree and suggest that the overall tone of the meeting was hostile and searching. They view the meeting as an interim setback which encouraged Nathan to favor setting up the staff group. He is quoted as saying, "In government, when your ideas are attacked the solution sometimes is to create another committee."33/
incremental strategy was really the wrong strategy and why I felt the Administration should abandon that strategy and adopt a different approach to the problem of welfare.38/

Bateman had himself developed one such incremental strategy just the preceding year and knew its shortcomings well. In his response he noted that the proposal contained in the paper ostensibly had two objectives: fiscal relief for the states and reducing the disparity in payment levels. "As it stands," he wrote, "the proposal implies much greater weight to reducing fiscal burden than to raising payment levels."

Here he detected the original bias of the Nathan Task Force. He suggested that this emphasis could be changed by altering the formulas used. He also introduced his notion of the limitations of the categorical approach to welfare:

Although a national standard in public assistance is a step in the right direction, you should be aware that such improvements, so long as the public assistance program is confined to certain categories of needy persons, intensify present inequities in the treatment of male and female headed families and provide increased financial incentives to break-up intact households, particularly those poor families headed by a man who works full-time.40/

The bulk of this memorandum was then used to show how the staff paper was vague in some parts and that it had omitted important items such as the elimination of the AFDC freeze.

The argument set forth by Bateman struck a responsive chord among the new leaders of HEW. He remembers, "This got a really red-hot reception by Veneman and some of his people and eventually by the Secretary."41/ There is little wonder why such a reaction followed. First, Bateman provided the instrument by which HEW could reclaim control of the discussion of a proposal which affected the department. Second, the President had just decided to do what Bateman had argued against. On February 17, the Joe Task Force made a presentation to Secretary Finch in which Bateman reiterated his argument. Veneman is said to have reacted quite enthusiastically, saying such things as, "We don't want to pour any more money down that rat hole."42/

This new analysis presented a problem to Veneman and Finch. The President had decided to go ahead with national welfare standards and Veneman was to develop a specific plan. Now they believed that such a move would be unwise. To resolve this difficulty, Veneman convened a meeting in
his office of a group of people who had been involved up to this time. Nathan and Price attended, along with Wilbur Schmidt from Wisconsin, and a number of career civil service people. Bateman also attended, and he recalls:

Quite to my surprise this was an organizing meeting. . . . During the course of this meeting Veneman turned to me and said he wanted me to be the chairman of the staff group which would support this new task force, which was a surprise to me because I hadn't heard about it in advance.43/

Veneman quite consciously was placing at the head of the staff group a Democratic holdover who had already expressed opposition to the national standards approach. The staff group included Price, Greg Barlous, Jim Storey and Bill Robinson, all of Nathan's staff, and Mike Mahoney from HEW. Bateman was also able to get Jim Lyday from OEO on 60-day detail.

Bateman viewed his unexpected, but fortunate, appointment to head the staff as a final opportunity to advance the NIT. From the beginning, he had an acute concern for strategy. He remembers:

I decided at the outset that it would be a mistake to bring into the planning of what I thought should be put forward the group from the Budget Bureau and the White House. I thought the idea would be shot down at the staff level at the beginning. I was afraid that if everyone knew at the beginning what I wanted to do, it would get back to the White House that, "these guys are planning to propose a big negative income tax." That wasn't the plan--it was to produce a small one. I didn't know where they stood and I was particularly leery of Nathan because it was his plan that got shot down.44/

He divided the staff group into two parts, giving Price and the Budget Bureau people an assignment to examine different payment levels in the adult categories.

Bateman, Lyday and Mahoney then began working on the development of a small negative income tax alternative to the national standards plan. Bateman says that at this time:

Our strategy was to cut down on the windfall you gave to states and use that money for structural reform, because the Nathan proposal put a lot of money into the
state coffers without putting a nickel in anybody's pocket. 45/

Two years earlier, Lyday had developed a plan for an NIT for families with children. The cost estimate then was set at between $1.5 and $2 billion. This was easily competitive with the Nathan plan. However, that program envisioned maintaining AFDC on a reduced basis to supplement the NIT program. There were great technical difficulties involved in this approach which would complicate a program they hoped to keep simple. It also left some of the AFDC program intact as a federal program. An idea appeared which seemed to settle this problem. Lyday recalls that they said to themselves:

What happens if you drop the states completely? That was the key. And that was the original way the program was structured—to provide $1,500 a year, a fifty percent tax rate and let the states go off on their own, preserving that they wouldn't lose. It was on that basis that the program had its first real push. We could say to them, "don't worry about increasingly larger numbers of people on welfare." Nixon could say, "I am providing income support for the working poor and I am killing this rotten, no good, thirty year collection of programs called AFDC." 46/

Bateman concurs in Lyday's memory of what happened:

It turned out that $1500, in those early calculations, in all except two states, covered or more than covered their federal AFDC costs. In effect, the federal government was at least picking up as much as they had put in before and the states were asked to put up the same amount or less than in the current AFDC program. So we said, why not take out the AFDC program as a federal program. If the states want to continue a supplementary program, let them. In the states that already have higher payment it would be politically impossible to cut out the program, so why not cut loose? 47/

This brainstorm was the culmination of four years of thinking and conceptualizing about how the negative income tax idea could be structured. To the NIT advocates, the plan, for the first time, made both programmatic and political sense.
The work on the NIT proposal was finished in just three days. By February 27, preliminary drafts of the staff report were being written. Bateman recalls the difficulty that arose at this point:

We finished this work fairly quickly. Then we had a problem because the rest of the group had not been brought on board. In effect, they were in the dark as to this main planning that was going on.48/

Bateman and Lyday were confident at this point that Veneman and Lewis Butler, who was to become Assistant Secretary for Program Analysis, were on their side. They briefed these two on their work to date and asked how they should go about apprising the others on the working group.

Butler said, we have to have another meeting to get these guys on board. He said, the trick is to get guys like Schmidt and Nathan to really understand how bad incremental reform is and to have a meeting and present the work of the task force to date as if we had been exploring alternatives and found it all so horrible we just had to come back and tell them we thought this was a bad approach. And to get them to say, if incremental reform is bad, come up with something better. Basically, to get them into a position asking you to do what you had already done.49/

About 10 days later, a meeting of the entire working group was convened in Veneman's office.

Bateman led off the meeting by discussing two proposals his staff group had supposedly examined. Both were plans for a national standards approach, with the only difference being in the matching formulas. He noted that, although these plans resulted in higher benefit levels, they would raise state costs in those states with low payments currently. Then he began describing the "... perverse features of the categorical approach."50/

Bateman argued that at least five problems with the current system would be made worse by the national standards approach. First, improving the benefits would increase the incentive for family break-up. By increasing the payments and not making male-headed families eligible, it becomes more profitable for parents to establish separate households or not to get married to begin with. Second, some AFDC mothers in Northern states could make more money from welfare...
payments and a little work than a female family head who worked full time and was not on welfare. This would create a strong incentive to reduce earnings. Third, 47 percent of the AFDC families at that time were black. About 70 percent of the working poor families, which were excluded from welfare, were white. Raising the AFDC benefits would have a further unsettling effect on the relationship of these two groups and perhaps contribute to racial divisiveness. Fourth, the national standards approach cost two billion dollars, yet the investment offered no hope that it would eventually reduce costs. Failure to deal with this problem might provoke the Congress to take action more drastic than the AFDC freezes. Finally, there would be no progress toward separating payments from services under the plans.51/

This listing of problems entailed in the national standards approach had the desired effect. Bateman recalls:

I wasn't half way through talking about incremental reform and some of its perverse features when Nathan said, "Look I really understand all that. I think you guys ought to go back and find something better."52/

Lyday also remembers that Butler's strategy had worked perfectly:

The producer of the program was the Under Secretary and the director was Worth Bateman. At the end of that meeting, with assorted bit playing by the rest of us around the room, we had them saying to us, "See if you can't provide a program for all the working poor with incentives that will not exacerbate these other problems." We had that program, which we had worked out in three days, in our briefcases right then.53/

Bateman and Lyday waited a full week after this meeting and returned on March 17 with the plan they had already drawn up. The cost of the plan was estimated at $1.6 billion in new federal money. They said:

In summary, the plan would extend coverage to families previously excluded, thus reducing regional variation and effectively establishing a federal minimum for welfare payments. It would, in the process, substantially alleviate the present financial burden imposed on the states by current AFDC programs.54/

The plan also provided for a 50 dollar minimum payment in the adult categories.
Several additions to the earlier plan had been made by this time. As a response to Labor Secretary Schultz's concerns about work training, the working group proposed to abolish the WIN program and to replace it with a new training program operated within the Department of Labor. The cost of this program was to be approximately $600 million for the first year. At the first meeting of the Urban Affairs Council, the President had directed the food and nutrition subcommittee to meet with the welfare subcommittee. Therefore, the group felt obliged to include a food plan in the proposal. They proposed integrating the food stamp program with the new income program. A family of four with no income was to receive $500 in food stamps along with the $1,500 payment. The cost of the food plan was estimated at $1 billion.

The general plan was approved by the working group and Veneman made preparations for presenting it to Secretary Finch. Bateman, Lyday and Butler accompanied the Under Secretary to the meeting, evidently to allay any fears Finch might have about the radical nature of the proposal. To lighten the seriousness of the meeting, they added a cover sheet to the plan which gave it the title of the "Honest Christian Anti-Communist Working Man's Family Allowance National Defense Human Resources Rivers and Harbors Act of 1969." The Secretary is reported to have remarked that this would be a good title for all HEW proposals. The group then proceeded to explain the plan to the Secretary, after which Veneman asked how he liked the plan. Lyday remembers:

He turned to Veneman and said, "John, how do I sell a multi-million person increase in the welfare population? And John said, "That's a political problem we ought to deal with when we come to it. How do you like the program?" The Secretary said he didn't see anything wrong with it.55/

Finch agreed to take the plan, then called the Family Security System (FSS), to the welfare subcommittee.

The subcommittee meeting was held at HEW on March 24. Attorney General Mitchell, Secretaries Stans (Commerce), Hardin (Agriculture), and Schultz, Moynihan,* and a large number of observers were present; Burns was represented by his assistant, Martin Anderson. As Finch began to present the plan, Moynihan remembers that he thought to himself, "Out of nowhere the staff at HEW came up with a proposal for a guaranteed income and Finch was putting it forward."57/ It was remarkable to him how Finch was calmly making the proposal as though it were nothing unusual.

*Price had briefed Moynihan earlier on the content of the FSS plan, and Moynihan had immediately seized upon it and said, "This is the Administration's welfare plan."56/
I knew how unusual it was, it was my subject. I made the decision to act like it wasn't unusual, saying things like, "Well, this is our proposal, how do we staff it out now?" 58/

Very few comments were made by the Cabinet members. However, Martin Anderson immediately attacked the plan. He read a segment from the speech in the campaign in which the President had indicated he would never support a negative income tax. He stated further that he believed in calling a spade a spade and that this plan was a negative income tax. Anderson then went on to contend that the plan was similar to the Speenhamland system of eighteenth century England, which he said was an economic disaster. It fell upon Moynihan to answer these charges. Others present remember him quoting Oscar Wilde to the effect that those who call a spade a spade should be made to use one. He then asserted that Anderson was wrong about the Speenhamland analogy. He finally suggested that the speech Anderson quoted was written by Anderson and that the President would be very interested in the plan. This response evidently left Anderson quiet for the duration of the meeting. 59/

Finch attempted to get approval of the group to take the plan to the President. No decision was made on the question before the meeting adjourned. Finch resolved to take the plan to the President on his own initiative. (This avoidance of the Urban Affairs Council reflected the close personal relationship between Finch and the President.) A case of pneumonia prevented Finch from briefing the President immediately; however, Moynihan, in a March 26 memorandum to the President, began to make the case for the FSS himself:

The essential fact about the Family Security System is that it will abolish poverty for dependent children and the working poor. The cost is not very great. Because it is a direct payment system. The tremendous costs of the poverty program comes from services. I.e., year-round Head Start costs $1000 per child. Almost all this money goes to middle class teachers, and the like. Ditto Community Action.

The Family Security System would enable you to begin cutting back sharply on these costly and questionable services and yet to assert with full validity that it was under your Presidency that poverty was abolished in America. 60/

Moving from national standards to an NIT for families, Moynihan was getting close to an approximation in effect of
his own preference--a family allowance. The Family Security System proposal was written into the form of an Urban Affairs Council subcommittee report by John Price, dated April 4, 1969.61/

The new Administration, at this time, had yet to propose a domestic legislative program. Moynihan had convinced the President to accept national standards for welfare, but that proposal had since been superceded by the more radical Family Security System. The Burns staff had been reviewing the proposals of the transition task forces and sending directives to the departments to begin work on various problems. Press commentators and Democratic Congressmen began to clamor for the new President's program. The President decided to devote the weekend of April 5 to the domestic program and instructed Burns, Moynihan and Secretary Finch to bring proposals along with them to the President's home at Key Biscayne, Florida. John Ehrlichman, Counsel to the President, also was to attend.

To prepare for the meeting in Florida, Moynihan commissioned the compilation of a bound booklet of eight proposals and six background memoranda explaining them. The proposals were directed to three themes: reducing poverty through employment and income maintenance, restoring balance to urban environments distorted by technology, and introducing citizen initiative and government efficiency into public programs.62/ In the booklet's cover memorandum he wrote:

I call your attention, above all, to the Family Security System. For two weeks' growth in the Gross National Product you can all but eliminate family poverty in America. And make history.63/

Other proposals dealt with a commitment to the first five years of life of children, transforming OEO, a commission on the goals for 1976, an urban aid program, mass transit, Vietnam veterans and the District of Columbia.

Secretary Finch produced a paper entitled, "A Nixon Alternative."64/ He argued that the past 35 years had seen a piling up of social legislation. Many of the programs, he said, needed to be cut back and new initiatives begun. "The keystone of the domestic program should be a revolutionary reform of the welfare system."65/ Finch said that the adoption of the Family Security System would establish national standards, create incentives to work and eliminate incentives for family break-up. It would also produce a substantial revenue-sharing effect. He added that:
It should be emphasized that FSS is not a Negative Income Tax proposal, since it only covers families with children and does not do away with all other income and support mechanisms and is not a guaranteed income program unrelated to need or ability to work.66/

Finch also proposed a comprehensive manpower bill, the creation of a new Office of Child Development in HEW, a restructuring of OEO, and using the Model Cities program to coordinate grant-in-aid programs.

It is not clear what Burns proposed to the President. It has been suggested that he presented an 11-page paper listing some noncontroversial proposals from the transition task force reports.67/ In any case, he remained faithful to his early belief that the first order of business should be stopping inflation and he did not propose any new spending programs.

The President did not announce his acceptance of any of the proposals during the weekend. However, Moynihan recalls that, shortly thereafter, Ehrlichman pulled him aside at a White House dinner and told him that the President had decided to accept the Family Security System concept.68/ Although no public indication of this was given, some confirmation can be found in the message on domestic affairs the President sent to Congress as a result of the Key Biscayne meeting. The message, sent April 14, said with regard to welfare:

Our studies have demonstrated that tinkering with the present welfare system is not enough. We need a complete reappraisal and re-direction of programs which have aggravated the troubles they were meant to cure, perpetuating a dismal cycle of dependency from one generation to the next. Therefore, I will be submitting to Congress a program providing for the reform of the welfare system.69/

It would appear that the President, in fact, had accepted the more radical FSS plan over the previous national standards approach. Two of the three advisors to the President in Florida had favored the plan strongly and the President seemed to have been convinced by Moynihan's memoranda that the present system should be abolished. Two months earlier his acceptance of the national minimum payment standards had been a major turn-around. His acceptance of the Family Security System was more than that: with FSS he would not be extending the current welfare system with its inequities and failings but would be embarking on a totally different
path. He would be the first President ever to face the issue in such a bold manner.

After nearly four years, the advocates of the negative income tax seemed to have been successful in their pursuit of Presidential adoption of the NIT concept. Moynihan also seemed successful in his effort to obtain an income supplement for families with children. The only problem now was to get the President to announce the program before opposition developed.

Opposition within the Administration: Arthur Burns

If the Family Security System was to be sidetracked it would have to be done by Arthur Burns. No one was quite sure what Burns's role in the new administration would be. Stephen Hess, a Nixon biographer and for a time deputy to Moynihan, stated later:

I think Arthur Burns expected his role in the White House to be somewhat different from the others. He had been appointed with the title of Counsellor to the President and was the only White House aide given Cabinet rank at that time. My impression was that he had every right to believe that he would be a domestic equivalent to Henry Kissinger or domestic chief of staff. On the other hand, Moynihan took his job with the understanding that he would have direct access to the President. So those two mandates were somewhat incompatible.70/

Burns had no institutional vehicle by which to exert the kind of control he envisioned over domestic policy. Moynihan had the Urban Affairs Council, and H. R. Haldeman, the President's Chief of Staff, had a morning staff meeting attended by all the top assistants. To enhance his own position, Burns instituted a five o'clock meeting at which the top White House aides were to brief him on their activities affecting domestic policy. The meeting was held several times each week early in the Administration. However, after a while, the principals began to send their deputies and then staff members, and Burns discontinued the meetings. The failure of this type of meeting can be attributed in part to the refusal by others on the staff to accept Burns as the chief domestic advisor. Hess offers another reason:

I think Arthur Burns was uncomfortable in that role. He was a lifelong professor and intellectual
and he was not a manager. He soon took on the role of intellectual advocate for certain positions and, of course, that had always been Moynihan's role. Since on many things they disagreed and since they had both put together staffs in their own images it soon developed that there were two competing generators of ideas.71/

Moynihan had in the Urban Affairs Council a potential instrument for coordinating at least some parts of domestic policy. In the early weeks he himself had performed that function to some extent. However, he soon found that his most important tool was his access to the President. As the welfare reform issue became bigger and more important, he began to abandon the role of manager and assumed, in total, that of advocate. His status as the sole Democrat and resident liberal may have made such a course inevitable anyway.

Thus, by early April it was clear that the White House policy-making apparatus had evolved into an adversary battle between Burns and Moynihan. This would ultimately crumble of its own weight and lead to the emergence of John Ehrlichman as the chief domestic adviser cum manager. Until then there was to be a struggle for the President's mind, with Moynihan seeking an early commitment on the Family Security System and Burns trying to keep government spending as low as possible.

Moynihan sought to get a commitment in a memorandum to the President of April 11. He wrote:

I have always felt that if you decide to adopt the plan you should announce it soon after Congress returns. It will be the centerpiece in your domestic program--Truly an historic proposal. You should put it on the desks of Congress and force them right off to begin discussing your program rather than new Kennedy-McGovern issues such as hunger, or old Johnson programs such as the Job Corps. . . .

I would conclude then, that if you decide to go with the program you should think of announcing it a week from Sunday or shortly thereafter.72/

Moynihan recalls his rationale in sending this memorandum:

After a certain point in the spring I was informed that the President had decided to do this. This was something that I knew and I don't know how many other people knew. He was waiting a time to do it. Like anyone in
that situation I was saying how about today, it's a
good time. The longer it was delayed, the more chance
it could be bounced off track. . . .73/

His fears were well justified.

Burns seems to have been convinced that the President
was about to accept a far-reaching welfare proposal. On
Sunday, April 13, one day before the domestic message went
to Congress, he convened a meeting in Washington of a number
of people familiar with economics and welfare. He asked
what the most important thing was that could be done with
welfare for a limited amount of money. The prevalent feeling
was that establishment of national standards would be most
important. With this in mind, Burns began to prepare his
alternative to FSS.74/

Once it was certain that Burns was going to oppose the
FSS plan, his assistant, Martin Anderson, decided to put
forth again the objection he had made at the welfare subcom-
mittee meeting in February. On April 14, he sent a paper to
the President entitled, "A Short History of the 'Family Se-
curity System.'" Anderson quoted Santayana about the dangers
of not learning from the past, and then quoted a long passage
from Karl Polanyi's book The Great Transformation. In this
passage, Polanyi argued that the minimum income system in-
stituted in England in the late eighteenth century "... was designed to prevent the proletarianization of the common
people, or at least to slow it down. The outcome was merely
the pauperization of the masses, who almost lost their human
shape in the process."75/

The memorandum was sent to Moynihan for a response. He
thought the whole issue was rather extraordinary, and his
response began, "It seems absurd to trouble you with con-
troversies concerning the post-Napoleonic economic history
of Britain, but if you like. . ."76/ At a later date he
added, "It was an issue with people like Martin Anderson and
me, but not for John Mitchell, Richard Nixon, or Robert
Finch."77/ Nevertheless, Moynihan took the challenge seri-
ously. He and John Price checked articles in scholarly
journals 78/ and telephoned economic historians in England.
A mass of information was reduced to two pages. Moynihan
wrote:

The essential point is: Polanyi's thesis on the effects
of the Speenhamland system has been rejected by economic
historians. . . To the contrary, the Speenhamland
system appears to have relieved somewhat the distress
of that stage of economic growth without in any way
contributing to it. . . . Certainly one would not wish to see Speenhamland recreated in America at this time, as it imposed a 100% tax rate on earnings up to the poverty line. . . . The Family Security System, to the contrary, has only a 50% tax rate and provides a positive incentive to earn.79/

This effectively blunted the Anderson attack.*

On April 21, Burns sent a memorandum to the President entitled, "Investing in Human Dignity: A Study of the Welfare Problem." It was a paper in three parts. The first part was an analysis of the increase in the welfare caseloads, part two was an analysis of FSS, and part three contained a proposal for welfare reform. The paper was, in all its parts, a direct reaction to the initiative taken by the advocates of the Family Security System: it was a systematic attempt to assert a strong analytical counterargument to the support shown for the FSS proposal.

Burns argued that there was "... less mystery about the increase in the population on welfare than is sometimes suggested."81/ Three causes of the expansion, he said, were that: (1) benefit levels had increased faster than the income of those in low-paying jobs, (2) a higher acceptance rate of welfare applicants due to agency liberalization had occurred, and (3) the stigma associated with being on welfare had lessened. He concluded that:

The preceding analysis suggests that our major effort now should be to reform the existing welfare program in ways that will get welfare recipients off the welfare rolls to the maximum extent feasible, and establish them as self-supporting wage earners.82/

Here Burns introduced a new goal for the promised welfare reform. Instead of merely ending inequities and making work profitable, he proposed that the reform should be aimed at

*Anderson apparently felt his honor had been impugned, and he asked a colleague at Columbia to survey the literature. Sixteen out of 17 authors agreed with Polyani. Anderson wrote to Burns, "Perhaps the President should not be bothered with this but I would not like to leave him with the impression that I had selected a particular historian whose thesis had been rejected generally by economic historians."80/
The paper then proceeded to a critique of the Family Security System. Three of the seven criticisms were submitted only for the sake of argument. They related to: the failure of FSS to affect the adult categories, its leaving a residual state AFDC structure in most states, and its elimination of the federal-state relationship in 18 states. Burns did not even favor solutions to these inadequacies. The second and third criticisms were contradictory. The next four points did raise serious issues, however. Burns contended that even under FSS, families would still have been better off by separating and secretly pooling resources. Also, he maintained, the plan had a built-in cost escalation factor, due to the political likelihood that it would be expanded in the future. In addition, the 50 percent tax rate of FSS payments was likely to draw criticism: "It would not be long before social critics point out that our very poorest families pay a marginal tax rate of 50%, whereas moderately well-to-do families pay only 20% or 25%." Finally, Burns suggested that even the huge increase of 6.7 million persons on the welfare rolls envisioned in FSS might well lead to an additional "... 25 million or 50 million, or even larger numbers."  

One last point of Burns's was: 

The single most important issue raised by the Family Security System is its effects on economic and cultural values... Giving people an income as a matter of "right" is a significantly different thing from extending assistance with the understanding that they will strive toward self-support... There is a great risk in such a course of a corrosive effect on moral values and attitudes... .

The third part of this paper outlined the Burns alternative. The interesting fact about the plan is that it was not at all related to the problems identified in the first part. Burns proposed that a national welfare standard of $40 a month per person be established and that AFDC-UP be made mandatory. The effect of this proposal would have been

*This was not unlike the withering-away goal of previous reform efforts.
to increase the numbers on welfare and to induce additional pressure for increases in the benefit levels—both of which were identified as problems in Part I. Burns did add a special mechanism of linking the reform with revenue sharing by requiring the states to use some of their new money to finance the new minimums. This would have lowered the federal cost of the programs by restricting the freedom of the states.

Other parts of the proposal dealt more directly with the problem of expanding rolls. First, Burns proposed expanding day-care centers to make it possible for more AFDC mothers to go to work; also, special job training and placement services would have been made available. He suggested that for a cost of $300 to $600 million a year, 300,000 mothers could have been removed from the rolls. One additional feature was added to ensure that the plan would work:

To achieve maximum effectiveness in curbing the growth of welfare costs, it would be necessary to require that all employable mothers (other than those with children of pre-nursery school age) accept either a job or a training opportunity if day-care facilities were made available.86/

Burns argued that, "Such a requirement is unavoidable in any program that is realistically job-oriented . . .," and that "[s]uch a 'requirement' provision merely expresses a widely accepted principle in our country of what is right and proper—namely, that welfare should serve only those who cannot help themselves."87/

The heart of the Burns plan was the work requirement and the expanded day-care program. His proposal for national welfare standards represented more a willingness to accept reality than a conviction that the idea was valuable: the President had already agreed to accept such a plan and had promised a bold welfare reform proposal in his message to Congress. The participants at Burns' Sunday meeting had confirmed that the notion was sound and so Burns had accepted it as a lesser evil than FSS. Also, when combined with revenue sharing, it had a low inflationary impact on the budget.

The Burns plan complicated the situation considerably. The President appears to have previously decided to accept the FSS plan. Now his Counsellor was putting forth his own counterproposal. FSS was clearly in danger.
The Debate Widens

Five days after the Burns memorandum was sent, a major review session was held on the Family Security System. The Secretaries on the Urban Affairs Council and the Secretary of the Treasury were invited, along with a number of officials from HEW, members of the Burns and Moynihan staffs, and Bryce Harlow, the Assistant for Congressional Relations. Paul McCracken, Chairman of CEA, was not originally invited to this meeting at the White House, but, at the urging of his staff, secured an invitation.

The primary result of the meeting was a demonstration of hostility to the FSS plan by a number of the participants. Some questioned the substance of the proposal, but most objected to the cost and the political effect. Robert Mayo, the head of BOB, Secretary Kennedy of the Treasury, and Burns were all concerned with the fiscal impact of the plan. Others questioned the cost estimates given for various of the components. The only agreement that could be reached was that McCracken perform an independent assessment of the cost estimates.

This meeting demonstrated the ad hoc nature of the policy debate at this time. None of the established groups were used as a forum, but rather a special Saturday meeting of various officials was convened. None of the "interested parties" was even willing to accept the statistics of another. No disinterested person was able to take control and establish order. Even when McCracken was selected to be honest broker, others attempted to get into the action. Peter Flannigan, the business adviser of the staff, brought Price and Anderson to his office to conduct a debate on the cost controversy; Flannigan thought that he might lead the way to a solution.

McCracken established a technical subcommittee, headed by members of his staff, to set the costs for the Burns and FSS proposals. The most notable feature of the group is that it included at least six persons involved in the HEW working group that had created FSS, including Jim Lyday. Lyday was, in effect, reviewing the numbers he had generated earlier. The report of the group, dated May 9, reflected the influence of these six persons.

Lyday and others, who were still devoted to the idea of a full-coverage negative income tax, managed to include a true NIT proposal in the report. This was called a Universal Security System (USS) and was included for comparative purposes. Also, they directly challenged one of Burns's main points by saying, "... the income gain from family
separation under the Burns plan is greater than under FSS or USS for income below the breakeven point. On the question of work incentives through tax rates, the group demurred and said that there was little difference in the two plans except for the introduction of the work requirement. The Burns plan would have cost $1.9 billion; a $1,500 FSS, $2.3 billion; and a $1,750 FSS, $3.2 billion. The universal program at a $1,500 benefit level was costed at $3.1 billion.

The work of this group did not have a great impact but did resolve the debate on numbers. It was essentially an ad hoc group convened to fill the vacuum created by the absence of an impartial broker.

Until this time, the controversy had been carried on primarily by staff members; it appears that the President had not sought any political advice. The President had previously asked Moynihan to check with people around the country about their response to the proposed Family Security System, and Moynihan had done so in late April, beginning with a group of businessmen who expressed enthusiasm for the program. In May the President began his own checking process: he began to solicit comments directly from members of the Cabinet and from friends outside of the government. Over the month, he collected several large notebooks full of comments. Few of these memoranda became available, but the remarks of Defense Secretary Melvin Laird show the kind of comment the President received.

Laird wrote on May 7 that from his long experience on the House Appropriations Subcommittee on HEW, he believed the present system should be replaced by a work incentive welfare program. He expressed concern "... about moving precipitately in this highly complex area." He suggested that adopting the Burns plan would lock the Administration into the current system and that "... the Family Security Plan would launch us into a sharp break that I am not certain would be politically palatable or salable in its present form." Laird concluded by suggesting that both an inside and outside study group be formed to report by the end of the year. Clearly, by the end of May, the entire policy debate had become so far-flung and disorganized and involved so many memoranda of varying substance that the subject of welfare reform was in danger of getting lost. The widest feasible consultation had been conducted, but the President now required someone to assemble and condense the information for him.

*The businessmen chosen had been participants in the Arden House Conference, which endorsed a negative income tax.
Paul McCracken, who had not participated in the debate until he was named arbiter of the cost estimates, made the first attempt to reconcile the growing division on the issue. In a memorandum to the President on May 24, he wrote that, after pondering the competing Burns and FSS programs and the new food stamp proposal of the Administration, "... I find myself increasingly impressed with the fact that the programs do not lead to as substantially different results as seemed to be probable earlier." He said that the food stamp plan, with a commitment to move toward cash payments, and the 1967 welfare amendments, which were to take effect on June 30, added up to the beginning of a general income support system. Making AFDC-UP mandatory and raising minimum benefits would also lead in that direction. Therefore, the acceptance of the Burns plan at that time, coupled with the establishment of an interagency task force to study further changes, could be an acceptable compromise, he suggested, without prejudging the more radical reform proposed in FSS. McCracken had been won over by Burns's argument for the need for fiscal restraint in the early years of the Administration; while he did not oppose the Family Security Plan, he was willing to delay adoption of such a proposal.

Moynihan, at this time, was on a different track altogether. Throughout May he had been sending memoranda to the President outlining a conceptual scheme for the Administration's approach to social problems. On May 17 he wrote:

I believe you have already laid the foundation for this (ceasing to define social problems in such a way as to separate blacks from the rest of society) by moving away from a services strategy in dealing with the problems of social inequality, toward an income strategy.

He listed the proposal to exempt poor families from income tax, the hunger program, the Family Security System, revenue sharing and manpower training as elements of this new strategy. The same theme was reiterated on May 27, when Moynihan wrote that the domestic initiatives of the Administration tended in the direction of an income strategy. He concluded, "Added all up, this is a distinct Nixon approach to America's problems and a formidable one indeed."

In these memoranda, Moynihan appeared to be showing how the Administration might be moving toward an entirely new approach to social problems. When the McCracken memorandum was sent to Moynihan for comment, he was apparently exasperated. He had been urging the Administration on to higher goals, not temporary compromises. It had been two months
since he received indications of approval for the Family Security Plan. Now the swirling controversy appeared to be undermining the program's chances for adoption. In his response of June 6, Moynihan agreed that McCracken made a number of good points. However, he felt the points were technical. He then said:

... I feel the issue before you is not technical but political. This Congress is almost certainly going to begin the discussion of a major change in our welfare system. ... It is open to you to dominate and direct this social transformation. ... Income maintenance proposals are springing up everywhere. ... Thus I would argue that if you move now, you will dominate the discussion. Congress will be discussing your plan.96/

Moynihan argued that timing was crucial. The Administration should "... seize the initiative. Otherwise I very much fear we will 'lose' out in the sense that we sort of lost out on the hunger and malnutrition issue."97/

Moynihan conceded that although there was no certainty as to the effects of the proposal on work incentives, experience had not shown any bad results. He summed up with a general statement on the future of the Administration. He noted that the budgetary situation in the coming years was not expected to be bright. Congress could be expected to further darken it by enacting across-the-board increases in the old Great Society programs.

If your extra money goes down that drain, I fear in four years' time you really won't have a single distinctive Nixon program to show for it all.

Therefore, I am doubly interested in seeing you go up now with a genuinely new, unmistakably Nixon, unmistakably needed program which would attract the attention of the world, far less the United States. ... .

This way, in 1972, we will have a record of solid, unprecedented accomplishment in a vital area of social policy, and not just an explanation as to how complicated it all was.98/

This memorandum is extraordinary for several reasons. First, it firmly signified that Moynihan had relinquished any claim to the position of domestic policy coordinator in order to do everything he could to push the Family Security proposal. He had chosen to be a partisan, not a manager. Second, his strong advocacy at this point, contrasted with
his milder approach over much of the previous two months, placed him in a precarious position as far as his tenure in the White House was concerned. Repudiation at this point would have seriously compromised his position. Third, although the memorandum did not strike a balanced position in order to aid the President's understanding of his options, it did contribute to his understanding of the issue as a whole. Moynihan suggested that the future of the Administration might well be tied to the FSS proposal, and that the President should consider the possibility of such a link. This raised the issue to a higher level of meaning and importance than was implied by McCracken. All in all, the memorandum appears to have been a calculated attempt to refocus the issue and to force the President's hand.

Taken by itself, this effort was a great gamble. But, as it happened, another source provided the vehicle by which the President could take the step Moynihan urged. At almost the same time as Moynihan had written his memorandum, Secretary Shultz had also produced an important paper.

In early May, John Ehrlichman had told Secretary Shultz that the President wanted him to take an independent look at the various plans and memoranda on welfare reform. Ehrlichman gave him the several large black notebooks full of collected documents. Shultz, in turn, gave the assignment to Jerome Rosow, his Assistant Secretary for Planning and Evaluation.* Rosow had just begun working full time in Washington and was a labor relations expert with no background at all in welfare matters. To assist him in the job he brought together several people on his staff, principally Paul Barton, who had previously done some analysis for Moynihan.

Rosow has said that the strategy was to seek a basic affirmation of the FFS proposal, with a new strong emphasis on the issue of work incentives. To do this he sought in the first section of the Shultz memorandum to summarize for the President in very simple terms the problems of the welfare system and, further, to show the relationship of each of the proposals to the system. The second section was an analysis of the work incentive features that had apparently troubled the President. The memorandum stated:

The initial acceptance and long-range success of this program will depend in large part on the extent to which the American people believe that the FSS approach will not seriously erode the incentive to work, but rather would strengthen it.

*Moynihan had been the first occupant of this office in 1963.
He next reported on the cost of working, utilizing a number of Department of Labor studies. First, he estimated that there was at least a $15-per-week incremental cost associated with such things as clothing, transportation, child care, and taxes. Second, he found that taking full-time work required foregoing unreported income from "... both legal and extra-legal pursuits." He estimated this to average a minimum of 5 to 10 dollars per week. Rosow then demonstrated that for a woman earning 60 dollars a week, the cost of working, plus the FSS tax rate, amounted to 50 dollars a week, leaving her only 10 dollars a week in net added earnings. From this he found,

The conclusion is that work at wages of $60 per week ($1.50 per hour) or below produces too little new income and will not sustain the incentive for work. Therefore, to remedy this defect and increase the initiative to work, we recommend the exclusion (or disregard) of the first $20 of weekly earnings.

Over six million full-time jobs in 1967 paid less than 60 dollars per week, he argued, and therefore this disregard was very important.

The memorandum carefully pointed out that the new disregard feature at a cost of $1 billion was not meant to "sweeten" the program:

"... this cost should be viewed as an investment. It is not a welfare cost--i.e., not a payment for non-workers. Instead, it is a fundamental girder in building a solid bridge from welfare to work. If this incentive proposal functions as intended, it will lead to a gradual reduction of FSS payments by changing work patterns. Without this economic support, the bridge may collapse. As workers see earnings disappear with only the work remaining, they may cross back to welfare.

To reinforce the effectiveness of this new incentive, the memorandum accepted the training and child-care provisions previously offered by others.

The Shultz memorandum was sent to the White House on June 10 and resulted in a reordering of the policy debate. The paper introduced a series of new considerations on welfare reform, as well as a costly new provision to the FSS plan, which certainly added substantively to the debate. However, its most important effect was to provide a third point of view between those of the two contending sides.
already in debate. There was now something called the Shultz Plan, and the President could be relieved of having to choose between two firmly opposed alternatives. The paper is said to have had a significant effect on the President's thinking. However, considering the disorder of the policy-making apparatus in the White House at the time, its greatest impact might well have been on the procedural question. Moynihan saw the memorandum as an excellent ploy:

Shultz did something that is a standard maneuver in this kind of situation. He said let's make fundamental changes in this program which made no fundamental changes at all. Let's make this a work program instead of a welfare program keeping the guaranteed income. The fundamental thing is, do you have a guaranteed income or don't you? He said yes but let's attach it to work. Which was fine.

The Moynihan memorandum had argued that action was necessary, and the Shultz memorandum had set forth how to take that action. Within the context of these two positions, the President decided in late June to do two things. First, he decided to accept the Shultz version of the FSS proposal, but with the Burns work requirement appended. Second, he designated Ehrlichman to coordinate the work on drafting a message to Congress announcing the plan. Ehrlichman formed a working group under the direction of Edward Morgan of his staff to draft the actual bill; the group included Patricelli of HEW, Rosow of Labor, Martin Aderson of Burns's staff, and Richard Nathan of the Bureau of the Budget.

It seems apparent that the President might well have announced his decision on welfare reform earlier if the policy debate had not become so unwieldy. Not only had the issue become confused, but the President had been placed in a position of having to choose between his advisers on each side. The Shultz third position freed him from that bind. The lack of coordination of the debate led to confusion, but it also permitted a large number of people to participate in formulating the decision, including Shultz. Minimal control of the debate permitted the new participants to feel free to offer criticisms or propose expensive changes, as Shultz did, without any inhibitions.

The designation of Ehrlichman to head the followthrough on the welfare issue resolved, after six months, the question of who was in charge. Ehrlichman's role had slowly evolved, but he basically filled the void left by the inability of anyone else to exercise managerial control over the policy process. Ehrlichman became the honest broker on domestic
issues, a position that presaged his elevation to the position of Executive Director of the Domestic Council in the following year.

The Working Group

Ehrlichman's formation of a small, unpublishized working group did not end the policy debate. For one thing, it appears that both Patricelli and Rosow shared a conviction that they had to start from the beginning. Patricelli said later:

The design of the program really didn't start until late June and July when the working group got going. The whole debate over the first several months, until after the Shultz memo, had to do with three or four major principles: whether there would be a work requirement; whether there would be payments to the working poor; and what kind of formula you would use.107/

Roscow concurred in that view:

The President had made a very broad decision to go with the Shultz approach. But what did that mean? We hadn't decided any of the major issues. . . . We found as we were writing the message we were making key national policy decisions.108/

Moynihan saw the job of the group as a technical one--simply that of writing the legislation embodying the FSS proposal. In part his view stemmed from a personal concern with policy rather than program, but it derived also from an understanding of the work which had gone on before. The President had not just accepted general ideas, in Moynihan's view, but had placed his imprimatur on a specific plan as interpreted and embellished by the Shultz memorandum. At least this was the opinion of one who had previously been involved in the government and had responded to presidential decisions before.

The decision to constitute a formal, secret working group of fairly high-level officials derived from a lack of perception of the function to be fulfilled. The members of this group had had little experience with either the conceptualization of a negative income tax model or with the structure of the current public assistance program. What to them seemed undecided was in fact implicit in the NIT concept itself. The decision to form the group reintroduced the arguments of the policy debate into the design of the program. Only two of the five members of the group had been active supporters of the FSS concept.
Few people saw what was actually happening. Ehrlichman thought the group would simply write the message and the bill. Moynihan was sufficiently convinced of the purely technical character of the work that he refrained from any attempt to place a full-time representative in the group. However, the group members were not technicians and did not see their job in a technical light. They were policy-makers and they dealt with policy questions. Everything was open to debate. On the whole, they attempted to answer these questions of policy without technical experience and without a sense of the history of the proposal.

The opponents of the FSS plan took advantage of this situation. The members of the working group acted both as individuals and as representatives of their superiors. Morgan, like Ehrlichman, had no experience with welfare, but generally favored the proposal. Rosow and Patricelli were personally committed to the program, as were Secretaries Shultz and Finch. Martin Anderson strongly opposed the plan. Richard Nathan was in an ambiguous position. He seemed personally disposed toward the plan, but his superior, budget director Mayo, was convinced that the budget could not afford the expenses of the FSS. Nathan generally tried to hold the cost down. This lineup of participants gave some hope to those opposing the plan that it could be defeated at this stage.

One technique the plan's opponents utilized related to costing. Nathan had independently established a two-billion dollar limit on the cost of the welfare reform proposals his task force submitted before the inauguration. He had successfully imposed the same limit on the Urban Affairs Council Welfare Subcommittee proposal. Rosow, who had not met Nathan, did not know about the cost ceiling when he wrote the Shultz memorandum. Therefore, he felt free to recommend the one-billion dollar extra cost entailed by the work expenses disregard. The Nathan cost ceiling had been originally conceived as a politically feasible limit for a short-term investment in welfare. It became for Mayo the absolute limit for the cost of the new program. Throughout the working group's debates on the components of the program, Nathan's position was secretly governed by this limit. Anderson supported Nathan in this position. Rosow states what happened when these efforts failed:

The ones in the working group who opposed the reform wanted to make the costs look higher than they were in order to prevent the President from accepting the plan because it would break the bank.109/
Outside the working group, Burns organized his final onslaught against the program around fiscal issues. The income tax surcharge extension was pending in the Congress early in July. Burns felt that this extension was vital in the fight against inflation. Furthermore, he had the impression that the working group intended the program to take effect in fiscal year 1970. Announcing a multibillion-dollar program, he thought, would ensure the defeat of the tax extension and thus wreak havoc on the 1970 budget. He therefore arranged for the Secretary of the Treasury, the Director of the Bureau of the Budget, the Chairman of the Council of Economic Advisors, and himself to write memoranda to the President on July 12 telling him the Family Security System was an economic disaster.110/ These memoranda, however, apparently had little effect. The only result was that the working group made clear that the plan was to go into effect in the January following enactment. The earliest budgetary impact would then be a half-year effect in fiscal year 1971.

The working group made one major concession to the budget-minded people. The original FSS proposal had provided for linking the plan with the food stamp programs. Family Security families were to be eligible to purchase food stamps and thereby increase their total income by $750. The group agreed to exclude FSS recipients from participation in the food stamp program.111/ This decision would have saved one-billion dollars in the budget from within the food stamp program. However, the expectation that such a decision would be instituted proved to be unrealistic.

Ehrlichman eventually became impatient with the group's slow progress. On July 10 he gave the group the following "firm guidelines":

1. The system should eliminate social workers' snooping which is essentially berating [sic];

2. A work package is necessary;

3. The factor of cost is not as material as the foregoing since the message should make clear that the cost involved is not this year's cost;

4. You should attempt to develop a descriptive name for the program which connotes a strong work element;

5. The program should include a federal floor of income, much work incentive, provisions that if
there is an opportunity to work the recipients must work and the scheme must lead the recipient to be better off if in training than if he were idle and better off working than if he were training;

(6) The system should provide day care for women with children except in the instance of extremely large families. The message should make clear that day care is a constructive program which contributes in the long run to cure basic encyclical [sic] problems. Children should not just sit around the house since this leads to their becoming non-workers.

We are committed to a long-run effort to get the amount of welfare down. The younger generation must be kept off welfare;

(7) The "first five years of life" program can be shown to have some relationship to this day-care operation;

(8) We oppose a pure negative income tax because it includes no work incentive;

(9) The program with work incentive, job training, etc. is counter-inflationary since it includes the productivity of the [former welfare] population. Putting more people in the work force is anti-inflationary;

(10) The system should be explained to the [Congressional] leadership Monday morning [July 14]. It should be announced Monday afternoon and should go to the Hill on Tuesday Noon. Shultz, Finch, Rumsfield, and Moynihan will appear at the television briefing.

The July 14 date came and went without a package having emerged.

Then, on July 19, Ronald Ziegler, the President's Press Secretary, announced that the President was going to address the nation on August 8 and unveil his welfare reform program. This announcement came as a total surprise to the working group: it marked the first time a deadline had been set for them or anyone else in the whole process.
As the date for the President's speech approached it finally seemed that the battle for the President's mind had been won.* But the advocates could not be sure. Moynihan is quoted as remembering:

For weeks I lived . . . as a person not that certain about his position. I felt like a very young poker player who has the winning hand, but nobody knows it. But he doesn't know enough about poker to know for sure that he has the winning hand. So many persons were acting like I didn't have the winning hand! It could be because I didn't--and it could be because they didn't know I had it.113/

The President had doubts, and the opponents would not give up. The struggle continued to nearly the last moment, with Vice President Agnew, HUD Secretary Romney, and Burns speaking against the plan as late as August 6.

On August 7, the day before the speech, the President went to Moynihan's office in the basement of the West Wing. He said he had been reading biographies of Disraeli and of Lord Randolph Churchill. "Tory men and Liberal policies are what have changed the world," asserted the President.114/

Moynihan has written sympathetically, "He had come to a turning in much of what he stood for and espoused; possibly to a deeper understanding of what he might do, how he might change the world. All about him was busyness: briefing, coaching, collating. But at the center of the storm it was very quiet."115/

The next night, August 8, President Nixon announced his plan in a television address:

Nowhere has the failure of government been more tragically apparent than in its efforts to help the poor and especially in its system of public welfare. Whether measured by the anguish of the poor themselves, or by the drastically mounting burden on the taxpayer, the present welfare system has to be judged a colossal failure. . . .

*Soon after the working group's formation, a working majority had emerged, consisting of Patricelli, Rosow and Morgan, with occasional help from Nathan. This ensured that, with respect to major issues, especially those not involving money, the final plan was the same as that proposed earlier.
It breaks up homes. It often penalizes work. It robs recipients of dignity. And it grows. . . .

We cannot simply ignore the failures of welfare, or expect them to go away. . . .

That is why tonight I propose that we abolish the present welfare system and that we adopt in its place a new family assistance program. . . . Its benefits would go to the working poor, as well as the non-working; to families with dependent children headed by a father, as well as those headed by a mother; and a basic Federal minimum would be provided, the same in every state.

What I am proposing is that the Federal government build a foundation under the income of every American family with dependent children that cannot care for itself--wherever in America that family may live. . . .

Abolishing poverty, putting an end to dependency--like reaching the moon a generation ago--may seem to be impossible. But in the spirit of Apollo we can lift our sights and marshall our best efforts. We can resolve to make this the year, not that we reached the goal, but that we turned the corner; turned the corner from a dismal cycle of dependency toward a new birth of independence; from despair toward hope; from an ominously mounting impotence of government to a new effectiveness of government, and toward a full opportunity for every American to share the bounty of this rich land.

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Postscript

On April 16, 1970, the House of Representatives passed the Family Assistance Program by a vote of 235 to 155. On November 20, 1970, the Senate Finance Committee voted against FAP 10 to 6. On June 22, 1971, the House passed a revised version of FAP by a vote of 288 to 132. On April 28, 1972, the Senate Finance Committee voted 10 to 4 to reject FAP. An effort to revive a compromise version on the Senate floor failed 52 to 34. Thirty-eight months after the President's speech, the Family Assistance Program was dead.