
The Shortcomings of Government Charity

BY JUDE BLANCHETTE

In their book, *Myths of Rich and Poor*, W. Michael Cox and Richard Alm observe, “Some part of human nature connects with the apocalyptic. Time and again, the pessimists among us have envisioned the world going straight to hell.” To be sure, “pessimists” apparently run most national newspapers. Headline after headline screams about the brutality, avarice, death, and inequality that infest our world. Be it violence in the Middle East, droughts in Africa, drug wars in South America, or airplane crashes across the globe, there seems to be little to celebrate in our modern world.

Because it lacked the typical journalistic flair for the dour, a story appearing on the website of the *Examiner* last December 18 might have been passed over by most casual readers. “Charitable giving in ’06 predicted to outpace ’05 record,” was the headline. It reported that “total donations in 2005 hit a high of \$260 billion and 2006 should top that.” For those who noticed the article, it provided a perhaps brief pause in the bad news, but little more. To more-interested parties, however, it was a simple reminder of the longstanding crusade by America’s private charities and individual philanthropists to mitigate one of the world’s oldest social ills: chronic poverty.

For large charities such as the Salvation Army and smaller local charities run by churches and other private organizations, the fight against poverty has been going on for the past 150 years. Tragically, standing in their way has been the federal government. Besides an effort to wage “war” on poverty beginning in the 1960s, the federal government has attempted to intercede and dole out aid since the beginning of Franklin Roosevelt’s New Deal. These interventions have proven costly and yielded disastrous results. By continually siphoning funds

away from the private sector, lawmakers and bureaucrats further diminish the ability of civil society to deal with the problem of poverty. (As Charles Murray shows in *Losing Ground*, poverty was declining steadily through the 1950s and 1960s up until the Great Society programs kicked in during the early 1970s.)

If the plight of the poor is to be truly addressed, Americans should study the lessons of the past. Earlier in the twentieth century, private charities offered a more effective cure for chronic indigence, and it was through mutually beneficial activities and voluntary funding that the spirit of American compassion was unleashed. In the best interests of the poor, the government should withdraw itself completely from all activities designed to help them and allow civil society its full range of motion.

Unfortunately, most social commentators see increased state action as the best (indeed, the only) way to fight poverty. With apologies to Ian McEwan, the welfare state has become “the repository of collective fantasy.” Private charities, they often argue, financed by volunteers and private donations, cannot meet the immense burden of welfare provision. Advocates of public assistance see “private enterprise” as an economic system that functions on Hobbesian self-interest and that would leave the poor to suffer if profit could not be squeezed from their labor.

Many proponents of laissez faire recognize these common protestations, but are unable to provide cogent rebuttal. On the surface it would seem that only government, with its vast infrastructure and immense financial resources, can improve the plight of the poor.

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Private charities, subject to the vagaries of voluntary donations, are a far less reliable source of income.

Yet if this were the case, how is it that after more than 40 years since the Great Society and more than \$8 trillion spent (in 2000 dollars) so little headway has been made by the government in alleviating poverty?

This is not to say that poverty has not diminished in America. Indeed, the market economy has virtually eliminated extreme poverty in the United States. The average poor American lives a lifestyle that would be envied by most of the world's citizens. But this is a product of the market economy not government handouts. It is only through wealth creation, not wealth distribution, that we see the wellspring of human progress.

Most Americans today were born after the New Deal and therefore have no memory of American social policy before the 1930s. Those then alive will recall that before the policies implemented by Roosevelt, there effectively were no social-welfare programs provided by the federal government. State and local government programs in place during that time, such as soup kitchens and state-run orphanages, were meager affairs in comparison to the welfare programs of today. The question must then be asked: If the government wasn't helping the poor, who was?

To put it simply, neighbors and religious communities helped the less fortunate, and members of different races, ethnicities, and occupations expressed solidarity to improve their financial independence. In effect, it was private voluntary cooperation that came to the aid of the poor. In the absence of government assistance, the social net cast by private charities, organizations, and businesses reached farther and remained much stronger than federal welfare programs.

According to *Merriam-Webster's Collegiate Dictionary*, poverty is "a lack of money or material possessions," and on the surface money would seem to be the obvious remedy. But if reducing poverty were simply a matter of

transferring funds from rich to poor, then the "War on Poverty" should have been won years ago. In *Losing Ground*, Murray chronicles the failures of federal social policies from 1950–1980, concluding, "The first effect [of government policy] . . . was to make it profitable for the poor to behave in the short term in ways that were destructive in the long term. Their second effect was to mask these long-term losses—to subsidize irretrievable mistakes. We tried to remove the barriers to escape poverty, and inadvertently built a trap." The "trap" was built through the largess of the federal government, which exacerbated the dependency of the poor on handouts, and supported decisions that furthered damaging behavior.

Observing the English Poor Laws in 1835, Alexis de Tocqueville wrote in *Memoirs on Pauperism*: "Man, like all socially-organized beings, has a natural passion for idleness. There are, however, two incentives to work: the need to live and the desire to improve conditions of life." In effect, the government destroys both of these incentives. By receiving food, shelter, and most other necessities, welfare recipients aren't faced with the need to provide for themselves. Likewise, by supporting all lifestyle decisions, both good and bad, government insulates the poor from having to face the consequences of unfavorable choices.

Tocqueville was prescient in his critique of government welfare, forecasting, "I have said that the inevitable result of public charity was to perpetuate idleness among the majority of the poor and to provide for their leisure at the expense of those who work." By traditionally allocating the bulk of its resources as cash payments, the government increased dependency and neglected to address the causes of perpetual poverty.

Welfare Reform

The idea of entitlement has been rectified to some extent by the federal government's 1996 welfare reform. Officially named the Personal Responsibility

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and Work Opportunity Reconciliation Act of 1996 (PRWORA), it has succeeded in decreasing the federal welfare caseload. Individuals are no longer “entitled” to receive aid now that states must choose among its population who is to receive cash payments. According to a Department of Health and Human Services (HHS) news release in 2002, “Between PRWORA’s enactment in August 1996 and December 2001, the welfare caseload fell nearly 57 percent from 12.2 million recipients to fewer than 5.3 million. This is the largest welfare caseload decline in history and the lowest percentage of the population on welfare since 1965.”

Yet in many ways PRWORA has failed. HHS can claim success since its enactment because of statistical chicanery. Fewer and fewer individuals are now eligible for cash assistance, and since only those receiving monthly payments are counted on the welfare rolls, the program is deemed a success. Yet as Michael Tanner of the Cato Institute concludes, “[W]elfare reform has done little to make individuals self-sufficient. Even after leaving welfare, most former recipients continue to rely on a wide variety of noncash government assistance programs.” At the same time that cash assistance has decreased, noncash handouts have increased markedly. According to the *New York Times* (2003), “[F]ederal and state welfare money spent on cash assistance declined 44 percent in 2002, from 77 percent in 1997. The proportion allocated to various types of noncash assistance shot up to 56 percent, from 23 percent in 1997.”

And the Associated Press reported in February,

The welfare state is bigger than ever despite a decade of policies designed to wean poor people from public aid.

The number of families receiving cash benefits from welfare has plummeted since the government imposed time limits on the payments a decade ago. But other programs for the poor—including Medicaid, food stamps and disability benefits—are bursting with new enrollees.

The result, according to an Associated Press analysis, is that nearly one in six persons rely [sic] on some form of public assistance, a larger share than at any time since the government started measuring two decades ago.

How, Not How Much

The primary reason private charity is more effective and more humane in providing for the poor lies in *how* aid is given, not simply *how much* is given. If administered indiscriminately, any type of aid renders the recipient in a worse predicament than before, for now he is dependent on the handouts of others. As Isabel Paterson wrote in *The God of the Machine*: “[T]ake the case of a truly needy man, who is not incapacitated, and

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suppose that the philanthropist gives him food and clothes and shelter—when he has used them, he is just where he was before, except that he may have acquired the habit of dependence.” Economist and *Freeman* columnist Walter E. Williams comes to a similar conclusion in *More Liberty Means Less Government*, labeling indiscriminate aid “animal compassion.” Writes Williams: “Compassion towards animals includes making sure the animal has adequate food and water, medical attention and when needed, suitable

shelter, and a toy or two for entertainment. . . . Animal compassion bears none of the hardships and complexities of human compassion. You don’t have to instill lessons of independence. In fact, independence is a negative.”

Like any other government monopoly (public schools, the post office), public charity is insulated from competition and financial loss, and thus inefficient spending is inevitable. Indeed, bureaucrats have an incentive to recruit recipients in order to justify bigger budgets. With the need to control costs diminished, aid can be handed out regardless of conditions or situations facing potential recipients. By way of comparison, private charities, churches, and mutual-aid societies are faced with economic realities and must attempt to

decide who truly merits aid, as well as how to best bring about the recipient's economic independence. An admittedly subjective process, this helps to eliminate freeloaders, thus allowing more resources to be directed to the deserving poor. As law professor Richard A. Epstein writes in *Principles for a Free Society*: "Since charitable budgets were—as they are today—limited, if not fixed, a primary concern was how to maximize the benefits over all the indigent: that is, how to prevent scarce resources from being drained off by those who were not really needy or who had, in fact, resources of their own; and then to channel those resources to those who were most in need."

Only private institutions, however, can turn down aid applicants using self-imposed criteria. Conversely, government programs often operate under the belief that humans have a "right" to aid. Marvin Olasky, author of *The Tragedy of American Compassion*, believes that this entitlement is the problem. He writes: "The War on Poverty of the 1960s was a disaster not so much because of its new programs but because of their emphasis on entitlement rather than need. Opportunities to give aid with discretion disappeared as welfare hearings became legal circuses and depersonalization triumphed. *Freedom* came to mean governmental support rather than the opportunity to work and move up the employment ladder." Over 150 years ago, Tocqueville reached the same conclusion:

I am deeply convinced that any permanent, regular administrative system whose aim will be to provide for the needs of the poor will breed more miseries than it can cure, will deprave the population that it wants to help and comfort, will in time reduce the rich to being no more than tenant-farmers of the poor, will dry up the sources of savings, . . . and the indigent, no longer being able to take from the impoverished rich the means for providing for his needs, will find it easier to plunder them of all their property at one stroke than to ask for their help.

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Values Stressed

In stark contrast to the "cookie-cutter" approach of government, private charities such as that maintained by the Mormon church stress personal responsibility, spiritualism, and good character as the most effective combatants of indigence. In its 1936 "Church Welfare Plan," the Mormon church formulated the guidelines that underpinned their policy on charity. The plan was "a system under which the curse of idleness would be done away with, the evils of a dole abolished, and the independence, industry, thrift and self-respect be once more established amongst our people. The aim of the Church is to help the people to help themselves."

Likewise, Olasky points out, during the end of the nineteenth and the beginning of the twentieth centuries, a multiplicity of Jewish- and Christian-run charitable activities arose in America's major cities as populations began to urbanize and poverty became more visible. Organizations such as the United Hebrew Charities, the Society of St. Vincent de Paul, and the Olivet Helping Hand Society stressed the importance of self-help, family ties, and living a prudent lifestyle if the individual wanted to regain self-reliance. They believed that aid given without nourishment of a man's character would accomplish

little except to demean him. As the founder of New York City's Charity Organization Society, Josephine Shaw Lowell, wrote (quoted by Olasky), "Nothing should be done under the guise of charity, which tends to break down the character. It is the greatest wrong that can be done to him to undermine the character of a poor man."

Perhaps the most extraordinary example of self-help and social cooperation during the late nineteenth and early twentieth centuries was the mutual-aid movement characterized by fraternal, or friendly, societies. As historian David Beito has shown, until the onset of the Great Depression and the resulting increase in government assistance, fraternal societies played a vital role in the welfare of the poor. It is estimated that by 1910, over one-third of the American adult male population were members of or had some affiliation with a fraternal society. The primary role of fraternal societies was to

provide sickness and death benefits, which served as forms of health and life insurance. The function of the fraternal system is best characterized by a spokesman for one such fraternal society, who wrote (quoted by Beito): “[A] few dollars given here, a small sum there to help a stricken member back on his feet or to keep his protection in force during a crisis in his financial affairs; a sick Neighbor’s wheat harvested, his grain hauled to market, his winter’s fuel cut or a home built to replace one destroyed by a midnight fire—thus has fraternity been at work among a million members in 14,000 camps.”

Through a system of local lodges where charitable and social events were held, fraternal societies represented a plethora of races, religions, ethnicities, and occupations, according to Joseph P. Blanchette, my father, in *The View from Shanty Pond*. The Ladies of the Maccabees, for example, was a white, all-female society that provided health benefits, Beito writes. The Independent Order of Saint Luke was a black fraternal society that, in addition to providing for the sick and the survivors of its members, founded the Saint Luke Penny Savings Bank of Richmond, Va. Tired of the racist attitudes exhibited by some white merchants, the order went on to found the Saint Luke Emporium, which provided an opportunity for blacks to spend their paychecks in a black-owned store.

In addition to the financial services provided by fraternal societies, the individual lodges made it possible for immigrants to socialize and participate in activities together. When a member was sick or near death, his “brothers” or “sisters” felt a social obligation to help the victim’s family by either providing medical care or paying for burial. Blanchette quotes the motto of the Irish Benevolent Society, “We visit our sick, and bury our dead.” When members needed to borrow money during rough times, they were obliged to regain financial stability as quickly as possible. Much of the fraternal society’s appeal was due to its being one of the few avenues through which immigrants and the poor could assure

themselves some financial stability. Not surprisingly, the demise of the fraternal society as a primary provider of mutual aid corresponded to the rise of the New Deal era of federal welfare policies.

If this voluntary social safety net was so wide and so pervasive, why did government step in? Ludwig von Mises’s analysis of interventionism accurately describes the rise of the welfare state: programs that were originally instituted to fill the “gaps” in the private safety net eventually exacerbated the problem at hand. This in turn produced a call for more intervention to fix the new problem. The latest round of intervention created its own unintended consequences, thus creating yet another demand for a “solution.” And on and on. Roosevelt’s New Deal and Lyndon Johnson’s Great Society

propelled the welfare state to even greater heights (or depths, depending on how you view the issue).

History shows that it is only through private voluntary solutions that we see *true* human compassion. Organizations and individuals, in the spirit of compassion, provided poverty relief that embraced generosity, but recognized the dire consequences of haphazardly given aid. Most social workers of a century ago understood that good character, self-reliance, and strong social ties were virtues that must be instilled in the poor if there were to be any gains made in alleviating poverty. Before the Depression

private solutions played an important moral and material role for the poor. Whereas government relies on coercion, charities and fraternal societies embody the qualities that make volunteerism socially advantageous.

Conversely, the past 70 years have shown that government has not prudently handled, and cannot prudently handle, the plight of the poor. Rather than help those in need of assistance during times of trouble, the federal government has imprisoned them in a political power game, resulting in increased dependence. Only abolition of the government dole will allow the private sector to once again achieve the levels of social welfare seen in the past.



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