



In Our Hands

A Plan to Replace the Welfare State

Charles Murray



Center of the
**American
Experiment**

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**Center of the American Experiment
Luncheon Forum**

**Doubletree Park Place Hotel
St. Louis Park, Minnesota**

May 3, 2006

Introduction

Mitch Pearlstein, Founder & President, Center of the American Experiment: If ideas matter—and they definitely do— then big, creative, and against-the-grain ideas matter even more. This is especially the case when they are articulated with precision, courage and, though his critics will have a nervous breakdown here, genuine compassion. Charles Murray writes with nearly matchless clarity and courage about big and contentious things. And without suggesting that Libertarians, in general, aren't the sweetest people I know, when it comes to matters of fellow feeling, Dr. Murray is the most egalitarian Libertarian I know. Consider, for example, this passage from *In Our Hands*:

For most of us, the luck of the draw cuts several ways. One person is not handsome, but smart. Another is not as smart, but is industrious. Still another is not industrious, but is charming. This kind of inequality of human capital is enriching, making life more interesting for everyone. But some portion of the population gets the short end of the stick on several dimensions. As the number of dimensions grows, so does the punishment for being unlucky. When a society tries to redistribute the goods of life to compensate the most unlucky, its heart is in the right place, however badly the thing has worked out in practice. Hence, this book.

The animation behind Dr. Murray's big plan is to better realize the righteousness and decency of our

nation's heart. His proposal also is grounded in recognition that the United States will sink under incomprehensible health care and other costs unless we change our government and social service ways fundamentally.

Charles Murray is the W.H. Brady Scholar at the American Enterprise Institute in D.C. He is best known for his seminal 1984 book, *Losing Ground*, which led directly, a dozen years later, to Congress passing and President Clinton signing welfare reform legislation, the continuing success of which was deemed inconceivable in virtually all quarters not long before. His other major books include *The Bell Curve* and, more recently, the audacious *Human Accomplishment: The Pursuit of Excellence in the Arts and Sciences, 800 BC to 1950*. It reminds me of a survey course I took as a freshman, English literature from Beowulf to Pinter, though, rest assured, Dr. Murray's treatment is much more substantial.

He did his undergraduate work in history at Harvard and his doctorate in political science across the river at M.I.T. He and his family live in a small town in Maryland that you probably never have heard of, and in order to preserve his pastoral good fortune, I will not name it, no matter how often you ask. Please welcome a generous friend and a scholar of extraordinary intellectual breadth and policy reach, Charles Murray.

The Plan

Charles Murray: I'm talking today about a plan that is large, that is radical. Before I tell you what

it is, I should observe how odd it is to be talking about radical reform at this particular moment in history. Because, as far as I can tell, there is no gumption, either among the Democrats or the Republicans, to do anything important about the problems that face us.

Witness last year's debate over Social Security in which the Republicans managed to take an extraordinarily attractive idea and present a plan so partial and so incomprehensibly expressed that it lost all its appeal. And the Democrats, meanwhile, pandered to the elderly and the fears of the elderly in a way that I think can only be described as despicable.

That's the kind of thing that happens when somebody tries to take on a big issue these days. But, by the same token, even though there seems to be a complete unwillingness to face serious problems, it is equally true there will have to be radical reform within the next couple of decades. That is not open to questions. It is most obviously true in Europe where the advanced welfare states are facing destruction. This is not too strong a word because of catastrophically low birth rates combined with sclerotic economies. The only way they can maintain the advanced welfare state is by massive immigration. But the massive immigration will destroy the cultural consensus that has enabled the welfare state to work over there to begin with. When I say that this century will see the end of Europe as we know it, I do not think that's hyperbole. I think that's a statement of fact.

In the United States, the situation isn't quite so dire. Our birth rates are still at the replacement level and our welfare state isn't as expensive, but, with the three big-ticket items of Medicare, Medicaid, and Social Security, you're looking at 9 percent of gross domestic product. That's an already historically phenomenal figure. The Congressional Budget Office says that we're looking at 29 percent by the year 2050, which is inconceivable.

It's because of the future radical change that must happen that I am opening the conversation today with this presentation. I am not addressing

politicians. I am undercutting the very basis of their power. I am not addressing the members of the bureaucracies – I am proposing to get rid of, well, some hundreds of thousands of their jobs. I am instead saying to my fellow Americans, "Let's talk about a different way of doing business." And if it ever becomes a consensus, maybe it will happen.

Here's what the plan is. Cash out all of the transfer programs. By transfer programs, I mean anything in which the government takes money from some citizens whom it decides can spare the money and gives it to other citizens or groups that it decides need the money more. So that includes Social Security, Medicaid, and Medicare. It includes all the welfare programs. It includes agricultural subsidies and corporate welfare, as well. Cash all that out, you're talking about roughly \$1.5 trillion per year. Instead, give to every American citizen age 21 or older, who is not in jail, a monthly electronic deposit that totals \$10,000 a year.

That's it. Well, there are a few complications. One is that \$3,000 has to be allocated to health care. In other words, starting at age 21 everyone has to get into the health care market. And we can talk in more detail about that during the questions as to why I do that. That's one complication.

The other complication is that you start to pay back part of the grant at a certain income level, specifically \$25,000 of earned income. But you keep everything up until that. Payback starts at \$25,000 and by \$50,000 you've maxed out at paying back \$5,000. So, in other words, everybody who makes more than \$50,000 a year gets a net of \$5,000. And that, in effect, is replacing their Medicare and Social Security benefits. I'm not promising any tax breaks to anybody. I can argue, as I do in Appendix D of the book, that the current benefits of Social Security and Medicare are so pathetic, compared to what we put into them, you're better off starting at age 21 and getting just \$5,000 a year that you can handle yourself than you are by waiting until 65 and taking back the benefits you get after all those years of paying into the system.

That's the plan. Why do it this way? Let me start with some very simple, direct, immediate outcomes, which are not trivial. For example, it ends involuntary poverty. I don't mean *cuts* it; I mean *ends* it. By involuntary poverty, I mean all those people who are doing everything right – they're trying to hold down a job, but maybe economic times are bad. Maybe they don't have many skills so it's a very low-paying job. They're doing things right and they're still barely able to hold things together. They're poor. That's all gone. Take, for example, someone who is at a minimum wage job – and not very many people stay at minimum wage for very long, but let's assume the worst – let's assume that he's out of work for six months of the year because of economic bad times. Terrible scenario. Well, he's now got about \$5,000 from that job, plus the \$10,000. That's \$15,000, whereas the poverty level for a single individual is about \$11,000. So, in that sense, I can say, technically, he's well above the poverty line. But it actually gets much better than that.

Suppose that we're talking about a couple and they each have a \$5,000 a year income, so they have \$10,000. They're suddenly at \$30,000 total. It has qualitatively changed the possibility to live a decent existence. It has made it possible for just about anybody to do so. And, by the way, if you can't work at all, it's still open to you. You get together with a couple of other people, four of you get together, you've got \$40,000, even if none of you is working. You've got just a lot of resources out there and lots of options for dealing with poverty, which has been a very intractable problem.

My plan also provides universal health care. I said allocate \$3,000 from the \$10,000, and you may be saying to yourself, can you really buy health insurance for \$3,000? Yeah. It's the same reason that if you get into an insurance market young, you can buy really cheap life insurance. If you get into the health care market at age 21, your young, healthy self is subsidizing your sick, older self. The insurance companies will make a lot of money off you and can afford to pay you back. There are also reforms that need to be made in the health care system, which would radically

improve the coverage you would get for \$3,000, but, yes, you can get a basic package of catastrophic health care and major health care with the \$3,000.

Those are not trivial accomplishments. Ending poverty and universal health care, that's not bad. Being able to provide for a comfortable retirement for everyone is the third accomplishment worth mentioning. If you take just \$2,000 a year, starting at age 21, and sock it into an indexed mutual fund, and you, let's say, have the worst 45 years ahead of you in American economic history and only get an average real return of 4 percent – where, actually, the average real return is closer to 6 or 7 percent – you still have \$250,000. If you're a couple, you have \$500,000, plus you've still got your \$10,000 a year. So, a comfortable retirement is well within your reach.

No involuntary poverty, universal health care, universal access to a comfortable retirement. Some people might say that's sufficient justification for the Plan. But in fact they are not the real reason I propose this new way of doing business. That real reason is what I want to spend the rest of the time on.

Living a Meaningful Life

The deeper, larger reason for radically changing how we do business has to do with what I consider the most difficult problem facing advanced Western societies, namely, how to live a meaningful life in an age of plenty and security. It used to be that the problem of living a meaningful life pretty much took care of itself because in order to survive, you had to be a member of a functioning community. In order to survive, it really helped a lot to marry and to have children. Because you knew that you could die at any moment, you had to pay attention to spiritual issues. These days, you don't have to do any of those things. You can go through life in the advanced democracies of the West, living a comfortable material existence and having some friends and serial sex partners, and die without having any reason to believe that you have done anything meaningful with your life.

What happened in the old days, when you didn't have any choice, was that it turned out that being a member of a community had deeper satisfactions than just survival. Being a member of a family had deeper satisfactions than just survival. Attending to spiritual issues led to a depth in your life that proved to be meaningful. So, along with the security, we have stripped away— without meaning to— the reasons why a great many people could reach the age of 70 and look back on who they had been and what they had done and be proud of it.

The problem I'm talking about is less acute in a room like this than it is in the public at large. A great many of us in this room have had vocation as one of our chief sources of satisfaction. Rising to the top in our vocation, being good at what we do, becoming rich or becoming famous or whatever the criterion was for success has been satisfying to us and rewarding and fulfilling. I will also venture to say that for a great many people in this room, including some very successful ones, that as you have gotten older, probably the satisfactions associated with family and community have gotten more important relative to vocation. Vocation is especially important when you're young. But the point is this: vocation is a major vehicle for a great many people.

Not everybody has that ability to use vocation as a source of satisfaction. People do get the short end of the stick in a variety of ways and, whereas it's technically true that everyone is special in his own way— as our kids are taught all the time— the fact is that some of us are not special in ways that enable us to be the best at anything. Whether it's a really good mechanic or a really good attorney doesn't make much difference. Neither one of those things is within their grasp. So if vocation is not going to be a major source of satisfaction because of the skills you have, what are your sources of satisfaction? Well, one of them is still family; you can be a good spouse, you can be a good parent. Another is community; you can be a good neighbor.

Here is the kicker and here is the reason we're in trouble. In order for those institutions to provide those sources of satisfaction, they have to be the

locus of responsibility for doing important things. The real problem with the welfare state is not that it spends too much money (though it does) and it is not that it spends it ineffectually (though it does), and it's not even that it creates more problems than it solves (though it does).

The real problem with the welfare state is that it strips too much of life from life. It takes a wide variety of human functions and it ships them downtown. The government takes a wide variety of human problems and says, "We'll take care of that."

Again, the people in this room are pretty much insulated from all that. The welfare state impinges very little on most of our lives. It impinges drastically on the lives of people in lower-income communities. The most obvious example of this is the case of the breakdown of the family in low-income communities. As many of you know— because this statistic does get talked about— approximately 68 percent of all children of black mothers are born to single women. However, before you think that this is a black problem, in low-income white communities that figure is 40 or 50 percent. Illegitimacy is very high in low-income white communities.

How does that situation affect the role of being a father? You have lots of guys who are perfectly happy with the situation because they don't particularly want to be changing diapers and they want to go out and have new girlfriends and so forth, and they don't care that the girl has gotten pregnant and has a baby. On the other hand, they are, in effect, deprived, for practical purposes, of the satisfactions of being a father.

How would the plan have any effect on this sort of thing? Here's where it gets fun to talk about how it will play out. Because the key is not that each individual is getting \$10,000. The key is that everybody is getting it and everybody knows that everybody else is getting it. Start out with a real simple example; let's go back to the low-income young man who impregnates his girlfriend. Child support laws don't make much difference. In the first place, a lot of times the guy doesn't have a job. In the second place, he can disappear.

Enforcement of child support laws is very incomplete.

Under the plan, every man has a known income stream being deposited electronically into a known bank account. All a judge needs, with the right child support laws, is a court order. You get priority and you tap the account. Now, let's talk about changed incentives. Let's talk about young boys looking at their older brothers hitting 21 and having the \$10,000 to supplement their other income, and others paying over a large chunk of that to support a child. That just might possibly affect behavior.

Think about the girls. Right now, the only way you get the benefits of the welfare system is if you have the baby. By giving a young woman the money no matter what she does, I introduce a major cost to having a baby. If she doesn't have the baby, she can spend the money on an apartment, on further education, on clothes, whatever she wants. If she does have a baby, she's spending it on diapers and baby food. And that, too, is going to be obvious to younger sisters looking at older sisters.

The Most Interesting Effects

The most interesting effects of the plan are indirect ones. Take for example a man who's frittered away his money. He has drunk it away, or he has gambled it away, or he has done this, that, or the other thing. The first question I always get is: what do you do with these folks? Well, he's not going to starve in the streets. He's going to have to go to a relative or a friend or a neighbor and get some help in being tided over until next month's deposit. He will get enough that he won't starve in the streets. He is also going to get messages such as, I don't want to see you back here next month, or, more generally, it's time for you to start making better decisions.

This is exactly the way that civil society is supposed to work. Not with bureaucratic rules, not with eligibility for benefits. It's supposed to work with people talking to each other about what they are doing and what they should do, rewarding them for good behavior, punishing them for bad

behavior. That's the way we learn from our mistakes, and that is the kind of process that is set in motion. You also inevitably give to people a different status by giving them an income stream. I call it the Doolittle effect, after Alfred Doolittle in *My Fair Lady*. (By the way, I've made this remark before younger audiences and I get these blank stares.)

You know who Alfred Doolittle was. Remember the dustman, Eliza's father? He is a happy member of the underclass, unemployed, did not bother to marry Eliza's mother. Then he is recommended by Henry Higgins to an American philanthropist as the most original moralist in England and is left a large estate. And it ruins his life because, all at once, he is trapped by middle-class morality. And that is why he has to get to the church on time. He has to go marry the mother. Well, that's really going to happen. You really are going to have a Doolittle effect, whereby people who do have an income stream are treated differently from people who don't. Even if they haven't earned it, they are treated differently. They can take responsibility. So, you have the guy living with his girlfriend, not paying a dime, not working either, he's pretty happy with his life. All at once, she can say to him, Honey, I need X dollars a month to help with the food and the rent if you want to keep staying here. Multiplied by millions of cases and a variety of individual instances, that kind of dialogue will change the way the world works. Ultimately, it will revitalize the institutions through which people live satisfying lives, and that's the reason why we ought to be moving in this direction.

Is there any chance that this would ever happen? I want you to think back to a couple of examples of other ways in which the American polity has changed unrecognizably. Consider the case of civil rights. You can go back and read *New York Times* editorials from 1950 in which the leading liberal paper was saying, well, you can't really do much about all the injustices of the current racial situation because the human heart has to change first. The Civil Rights Act of 1964 was only 14 years away. There was a revolution in the way we thought about that issue.

There is, in a much more modest way, the case of *Losing Ground*. I would like to think that it had an influence in the welfare reform act of 1996. I do know this for certain: when I wrote in the last few chapters of *Losing Ground* that we ought to get rid of the welfare system for single women, I put it as a thought experiment. I didn't put it as a real political objective because I thought it was a pipe dream, and reviewers treated it as a pipe dream too. Well, the 1996 welfare reform act did not get rid of the welfare system, but it went a lot farther than anybody thought was possible in 1984. I think the same thing is going to happen with the entitlement programs. Let me offer two reasons why.

First, we are going to keep on getting richer and richer. In the last chapter of the book, I plot per capita gross domestic product from 1900 to 2005. It makes a very neat little curvilinear line. Even though we look at a presidency and say this is the best thing or worst thing to happen to the economy in years, the fact is that over the long period of time, the economy has continued to grow under good presidents and bad. It's possible that we will have political leaders who are as bad as the Soviet Union's were and just make the whole thing collapse, but short of that, we're likely to keep on getting richer. And as we continue to get richer, and as these expenditures on income transfers continue to grow, at some point it is going to become obvious to everyone that a lack of money cannot be the reason that we still have poverty, that we still have people without health care, that we still have people without comfortable retirements. It will be too obvious to everyone that we're spending enough money, we're just spending it badly. The other reason that over the course of the century— I'm not talking about the next five years or six years—it is also going to become obvious to everyone what is now obvious to a smaller subset of us, and that is that government is inherently incompetent. It's hard enough to do the really basic things that government is supposed to do. It's very hard to have a functioning legal system that's not corrupt. It's very hard to have a functioning police system that is not brutal and still manages to get the job done. And it's very hard to have a powerful military that also respects the rule of civilian

authority. These things are extremely hard and only a few countries in the world have managed to do them.

Those are the core functions that government was made for. As government moves into more complex kinds of problems, its defects become more and more obvious. My friend, Ed Crane, from the Cato Institute, visited the Soviet Union in the early 1980s and he came back and I asked him what it was like. And he said it wasn't scary, he didn't feel like he was constantly in danger. He said, "It's sort of as if you had an entire country run by the Virginia Department of Motor Vehicles." And that gets to the essence of the inherent incompetence of government. There is nothing that government does in which we choose voluntarily the government-provided service if we have a private option. And that goes all the way from schools down to things like eating— if you have a choice between a government cafeteria and any fast-food place across the street, you're probably going to go to the fast-food place.

Government just doesn't do stuff very well. What government really doesn't do very well is deal with the complex human problems that are associated with poverty and crime and drug addiction and the rest of it. It does a terrible job with that and that, too, is going to become obvious to everyone.

So, here I am, a Libertarian who wrote *What It Means to be a Libertarian*, and I am proposing an income redistribution program that Teddy Kennedy, in his wildest dreams, would never have imagined. What am I really doing? I am striking a grand bargain. I am saying to the left, I will give you big government in terms of expenditures; you give me small government in terms of government's ability to interfere with our lives. It is a bargain that is not perfect. If I could wave a magic wand, I would prefer a more pure libertarian solution. But it is also a bargain that doesn't bother me. Let me conclude by speaking to those in the room who are pure libertarians.

The passage that Mitch quoted in the beginning is relevant here. In writing *The Bell Curve*, I became acutely aware of the ways in which the luck of the

draw is becoming more and more important. Nobody deserves his IQ, nobody deserves being beautiful, nobody deserves any of these other qualities that either you have or you don't. If you can have a way to compensate for some of those unfairnesses, it is a good thing to do. So, at the end of the day, under the plan I am proposing, we have people who are able to put together decent lives for themselves. We have institutions that will have been revitalized in ways that are hard to imagine now. And we will also have, in our hands, the ability to run our own lives. My view is, that's not bad. And I hope it persuades you, as well. Thank you very much.

Following his speech, Dr. Murray took questions from his American Experiment audience.

Mitch Pearlstein. I have told Charles in the past that I simply know of no one in scholarly life, policy life, who can explain complicated ideas as clearly as he can. It's a terrific gift.

Dr. Murray was here for our first conference, it was in St. Paul, April 4, 1990. The person who suggested the topic that day, *The New War on Poverty: Advancing Forward This Time* was Peter Bell.

Peter Bell: How do you lock the door at the back end? Meaning that you would institute this program and then our political leaders would simply go about the business of restructuring the welfare state, kind of like it exists now.

Murray: For the mini-food stamp program ...

Bell: The mini-food stamp program, mini-farm supports, and the like. How would you deal with that problem?

Murray: When people ask me if there's anything in the book that I don't think is possible, that's the issue I think of. In the book I state is that there has to be a Constitutional amendment that goes with this that says, Thou shalt have no transfer of payments before thee except this one. And write it in a way that even the Supreme Court can't misinterpret. That may be impossible.

But I did get a very interesting idea from the head of the Rand Corporation last week. He said, suppose you put in that Constitutional amendment that any new transfer program has to be paid for out of the funds that are currently being used for grants. That is extremely elegant, because the reason that we have subsidies for sugar farmers— as political theorists have explained— is that the sugar farmers really, really care about getting them, and the rest of us don't care that much about not getting them. The political process always tends to go that way. Anything that affects the size of the grant will engage everybody in the country, and most people in the country are going to be contributors to the grant rather than net beneficiaries. So, I wish I'd heard that idea before I wrote the book; I think it's got some promise. But it's a very tough issue.

Mark Scally: I'm involved with early childhood education for kids entering kindergarten. There's pretty good evidence that up to half our kids are not fully prepared for kindergarten and then that goes through the whole K-12 system. So my question is: with all of us retiring or not being as productive in the future, and some concern about the educational level of our kids, tell me more about the assumption that we are going to get richer and richer and richer forever.

Murray: That is a good question. Let me go to some bell curve kinds of issues, and that is that our increasing wealth depends less and less on everybody being productive. If you want to be brutal about it, we can afford a lot more wastage than we used to be able to. Again, to be brutal about it, or at least clinical, among those with the most potential, the ones who are going to fill the jobs that are screened for IQ, we are doing a good job of identifying them and educating them and getting them into these slots.. We're much better at it than we were seventy years ago. We're much better at it than we were even 30 years ago. You're raising a lot of issues that require a much longer answer than I can give you. I will present as a proposition a couple of things. Now, I'm going to irritate Mitch with what I'm about to say next, I think.

Pearlstein: We're adjourned!

Murray: I am not nearly as worried about poor elementary schools and high schools as most people are. Partly, this is personal experience. I went through a very mediocre public school system in Newton, Iowa, and went off to Harvard and did fine. But, also, my lack of concern is grounded in some academic work that says that as long as you get a good enough education in the elementary and secondary school, you can go off and reach the heights in your college and graduate work. Poor elementary and secondary education doesn't seem to really prevent that. And the second part of the statement is that it's very hard to find kids with really high potential who are not going to college because they don't have the money. We've gotten very good at getting the talented kids into college. So, my answer to your question is that even though the school system is very badly serving a lot of people, even though an awful lot of kids are growing up in families where they come to school not prepared to learn, that we're tapping the intellectual resources of the country well enough to continue that growth.

Pearlstein: No, that's fine. We're an intellectually open institution. We have Sean Kershaw of the Citizen's League and folks should know that we have David Strom of the Taxpayers League and Joel Kramer from Growth and Justice, and never before has there been so much public policy think tank candle power in this room since Thomas Jefferson dined here alone.

Sean Kershaw: With that introduction, the several-part question is: do you think any of your idea can be implemented at a statewide level if the feds are unable to make a decision like this, and is that even a good idea? Does that type of incrementalism destroy your point? Do you think there are things that can be done in Minnesota if Washington can't do this?

Murray: That's a very good question. I don't know how much flexibility you have. My instinctive reaction is that you probably don't have enough flexibility with the federal programs to do very much. And that leads to the next issue, which is, if the plan I'm proposing is merely an add-on to existing systems, it's going to be a disaster. Almost everything I have said depends

crucially on replacing the existing system, because the placing of responsibility back with individuals and families and communities has to happen, or else all of the disastrous consequences that most people initially think of, when they think of this plan, will really happen. In that sense, it's very hard to see how the plan could happen incrementally. And that's one of the reasons, by the way, that makes it hardest, because we don't do anything except incrementally. It's very seldom that we move into a new system altogether.

Howie Gangsted: We're going to put this program in effect and it's going to start 2008. What about the people who are drawing Social Security and . . . ?

Murray: The transition issue. You cannot take someone who is in his 50s and has been paying in to Social Security and Medicare and say, you're going to be in this new system. Doing that would make it against the self-interest of the majority of the American people to vote for this program. There has to be a transition. The simplest one is to say that if you want to stay in the old system, you can. You can go ahead and draw the existing Social Security benefits and the existing Medicare. We'll keep that in effect.

I discuss some other alternatives in the book. For example, the present value of the government's obligations to somebody who is 52 years old is such that the government could offer a sweetheart deal to this guy, an early retirement buyout that would be very attractive and rationally attractive to the 52-year-old that would be a lot less than the present value of the government's obligations to that person. That's point number one.

Point number two is that there are going to be no tax breaks. Throughout the book I assume that we're generating revenue at the same rates we are now, so that, somehow, what we now pay for FICA and Medicare will still be collected. But here's the fact: my plan is going to be a lot cheaper than the current system in the out years. Specifically, the costs of the plan, as I propose it, cross the projected costs of the current system in 2011. By 2020, it is half a trillion dollars less

expensive per year, and I'm using conservative projections of the increases in the current system. By 2028, it's \$1 trillion less per year. So, the transition will be expensive, no question about that. There will be money. But if you've got that much to play with in the out years, there's got to be a way to deal with the transition.

With regard to the second half of your question, the plan is going to revitalize the private sector charities in ways that are bound to be spectacular. Econometricians can document something that common sense tells us; in the 1930s, when the government got into the business of helping out with retirement and poverty and things like that, philanthropic contributions changed radically. There had been a lot of private effort going into these activities. That effort dropped off and the money was redirected elsewhere. It's a very simple human reaction. If the government is spending billions of dollars a year on something, I'm much less likely to use my own resources, as a philanthropist, to pay for that. So, under the plan, all of that gets shifted back. You'll have a lot more of the Bill Gates and foundations of the world, which are now giving money to the symphonies, say gee, maybe we ought to get back in the business of dealing with some of these other needs that the government is no longer dealing with. That will happen at the big foundation level. It's also going to happen in churches and local efforts.

You'll also have a shift from advocacy back to actual service provision. The United States has not seen a diminution in voluntary associations in the last 40 or 50 years; it has seen a fundamental change in what voluntary associations do. It used to be that voluntary associations actually dealt with people and real problems. Now, they are increasingly advocacy groups trying to get the government to do something different. I think it's much healthier when they were actually doing things for people, and that focus will be revitalized. So, not only am I not cutting off these other forms of support, I think one of the great benefits of the plan is that it puts the responsibility for services to humans back in the hands of people who know how to do this stuff better. I would much rather have the Salvation Army trying to

deal with problems of homelessness and drug addiction and alcoholism than a government agency.

Peggy Kaplan: You mentioned personal responsibility. I see that as a large dividing line between liberals, conservatives, and Libertarians. Even with the monthly deposits, some people, through addiction or dysfunctional living, will go through their money within a few days. How do you convince the liberals that this is the right way to go and not have the government step in and help these people that are penniless after a few days?

Murray: The first reaction I get from the left is always: what about these people who can't handle their money? And I say to them, how about having as your first reaction, this will transform the lives of tens of millions of competent people for the better. They never say that first. Not only that, their estimates of the proportion of people who would present this kind of problem are very interestingly large. Sometimes I try to press them on that. I'll ask: what percentage of the population do you think you're talking about? They sort of sputter, but they'll come out with, 20 percent, 25. I'm saying, you think that a quarter of your fellow citizens are that incompetent? They're saying, yeah. That's one of the things I like best about this plan. It does sort of put the heat on the left in to come to grips with the condescension that many of them have toward ordinary Americans. I don't think that one easily turns them around.

I hate to engage in liberal-bashing, but I'll just do it for a minute. They always think that if you pass a law, that's good, but if you rely on human beings to do that same thing, that's bad. So that if we pass a law that says that no child shall go hungry— which the food stamp programs and all these other programs, in effect, do— they don't care that you still have lots of hungry kids. You have a law that says that they shouldn't be hungry, and the law is the important thing. Whereas, if you go my route, you'll have lots more people engaged in feeding hungry kids around them, even though no law requires it. I think liberals are genetically resistant to that way of dealing with problems.

The only way in which that might be too pessimistic is that the incompetence of government in dealing with these problems is becoming so obvious that maybe even the left will see it. So, that's the end of the liberal-bashing. I will not do it anymore.

Lillian Mary Martin: Is your plan taking into consideration the potential citizenship of illegal immigrants? What about migrant workers?

Murray: It clarifies the issue fairly radically. Which is to say, if you are a U.S. citizen, you get the \$10,000. If you aren't, you don't, and not only that, the rest of the social support network is gone. Whether you are a U.S. citizen or not is something that is real easy to determine. That has no ambiguity associated with it.

It's not going to be a problem in identifying U.S. citizens. It's not going to be a problem in preventing fraud on a wide scale, because we now have ways of making identity cards, whether they're based on fingerprints or DNA or whatever, that are virtually un-reproducible, so you have a system where, basically, you are a citizen, you get this; you aren't a citizen, you don't. We will have reestablished the dynamics that produced the greatest set of immigrants the world has ever seen. It used to be that if you came to the United States, here was the deal America offered: you rip yourself up from your existing culture, you cross the ocean or cross hundreds of miles; you go to this new place with absolutely no guarantees whatsoever except you will have opportunities. It was a great self-selection system. We got great immigrants with this. As we continued to add social services and access to things without having to work for them, we seriously undermined that. So, in that sense, I think this plan is going to force the nation to decide what it thinks. I will add to that, on the immigration issue in general, that the laws we have need to be enforced and that a country should have control of its own borders. I think what's going on with the illegal immigration right now is another example of both political parties refusing to deal with the problem. But that's another topic.

Twila Brase: I head the Citizens Council on Health care. I'm not so sure that I agree with your idea. However, what I really like is that you're willing to be radical, because I think that we need some real radical ideas for what is going on with Medicare and welfare.

Murray: I skipped over all of that and I do deal with it more in the book. Here's essentially what I'm saying. I have three additional reforms that I would like to be enacted, and if those are enacted, I'm saying there's no problem. If they aren't enacted, then it's dicier.

First, the insurance industry is required to treat the entire population as a single pool. So even if you don't have any multiple sclerosis in your family, your insurance rates are going to reflect the population-wide incidence of that. That, I think, is going to have to happen, especially as genetic information gets more and more widespread. And, by the way, that also then takes away almost all of the benefits of group insurance. Individual health insurance becomes very affordable then, because you don't have the statistical need for groups.

Second, the value of employer-provided health insurance becomes taxable, which also gets rid of employer-provided health insurance, which is a very good thing. And the reason it's a good thing is we have to have a health care system in which the consumers of the health services are also buying the health services. It is that divorce of consumer from purchaser which has led to so much of the increases in cost. If you want to see an example of that, compare the trend lines for the cost of cosmetic surgery, which is not covered by insurance in most cases, with the trend lines for costs of other kinds of surgery. Cosmetic surgery has dozens of new procedures, the old procedures are done better than ever, and the rates— think of LASIK, for example— are either growing slowly or are flat or are falling while, at the same time, all the health costs for that are covered by insurance are going through the roof.

Third, we need to change licensing laws and tort law so that people who are not physicians can provide the routine health care which constitutes some huge proportion of the health care we use. If

you fall down and gash your arm, you should not have to go a system that involves a physician and all the costs associated with a physician. You ought to be able to go to a storefront clinic run by medical technicians and pay \$25 and walk out again with an arm that's been stitched up. You can't do that now very easily— even though there are some interesting experiments in Minnesota— because of licensing law and tort law.

With those three reforms, then I say no problem. But even without them, you're saying to the health insurance companies: you've now got the entire population coming into the health insurance market at age 21. You've got to propose packages that include catastrophic health insurance and long-term disability and will provide a flat premium. You can write all sorts of innovative restrictions on it, but, in effect, you want a situation where people are getting into the market at age 21. You make money off of them while they're young, you pay it back to them when they get old, figure out a way to make money on that. And I'm really saying that in fact the health insurance companies can deal with that situation. The cost may not be \$3,000; maybe it's \$3,800, but it's in the ballpark and it's doable. That's my basic position.

Pearlstein: We have the penultimate question from Joel Kramer, so it's got to be a good one.

Joel Kramer: Well, first, I just want to say, as a liberal, I commend you for having an idea that I think will be just as hard to sell to the conservatives as to the liberals. But I want to ask a question that might come from a more conservative, economist point of view. What would be the work effect and the wage effect of, say, a couple being able to have \$20,000 without working? Taking it a step further, what might be the effect on people's attitudes about business, because they may not have to work to be able to subsist? What effect would that have on America's global economy position if you have to pay high wages because people have \$20,000 without working?

Pearlstein: That is a worthy question. That was very good.

Murray: It sure is. The work disincentives were one of the chief things that preoccupied me when I was going about this. I decided to cut that Gordian knot with work disincentives by having a very high payback point. That's the reason I set the start of the payback at \$25,000 of earned income. I'm saying to people, you can keep everything you make up until \$25,000 of earned income — the idea being, to lure people into working until they can't afford to quit.

You will have the population of people who, right now, are not in the labor market— and there is a fair number of those people— who will be happy to take the \$10,000, and I don't see ways in which they are necessarily made more likely to work. But you have everyone else who wants anything more than \$10,000 facing absolutely no penalty for picking up a few bucks here and there, and then a few bucks more and a few bucks more. So whereas I think that econometricians would have to calibrate the work disincentives very carefully if this were to ever become a live possibility, the disincentives are manageable.

I think the people who will not go into the labor force are likely to be a couple of groups. One of them is college graduates; they may very well take a year or two off before they get into their jobs, which I don't think is a bad thing. But I don't see a lot of other people not getting in to the labor market. I don't see very large work disincentives.

Pearlstein: You have said that people have been saying reasonably nice things about this book and I've read good reviews about it.

Murray: Minnesotans are very polite, too!

Pearlstein: But over the last couple of years, to be real blunt, you haven't been beaten up as much as you were in the past. How do you interpret this, both the quite good response to the book and the fact that all your work recently has been viewed in a nicer light?

Murray: You're right. And it's not as if I haven't been giving people things to complain about, because in *Human Accomplishment*, I had dead

white males way up there on my list. I guess the answer is too self-referential for me to be too comfortable talking about at length and we don't have much time and I won't, except to say that I'm really happy it's happened. I never enjoyed the punishment. I never had a good time. You know the old cliché, it doesn't matter what they say about you as long as they spell your name right? No. That's not true. So, I don't know why I'm less radioactive than I used to be, but I'm very happy with that situation.