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Changing government incentives is the first step to restore family formation

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It may be unfair to indict the political class for lack of nerve in addressing family breakdown.

Even as the retreat from family life became pronounced among the low-income population and has devastated the poor, Congress deep-sixed Aid to Families with Dependent Children in 1996 in hope of reversing the rise in out-of-wedlock births among African Americans that had raised the Irish ire of Daniel Patrick Moynihan 30 years before.

Yet the architects of welfare reform were whistling past the graveyard if they thought that changes to one program could undo the effects of the massive War on Poverty, which continued to displace fathers and marriage from families at the lower-end of the income scale.

The means-tested welfare system remains as bloated as it was in 1996, with direct costs to taxpayers of nearly \$1 trillion this year, according to the Heritage Foundation. Moreover, family disintegration has spread to the middle class, with four of every 10 children born out of wedlock today and cohabitation at epidemic levels.

A more strategic reform would have nixed President Nixon's version of the Great Society, which concentrated on dispensing heavy doses of free contraception to unmarried women via Title X of the Public Health Services Act and especially through Medicaid.

Like other 1960s welfare schemes, the War on Fertility's approach to reducing "unintended" pregnancies and facilitating "family planning" backfired. Even as defended today under the pretense of promoting "women's health," the federal sanctioning and subsidizing of sex sans commitment conceived more social disorder -- as skyrocketing births out of wedlock have contributed mightily to the perpetuation of poverty.

Yet the paramount need is to change the incentives affecting family formation across all sectors of society, not just among the poor. Take the distorted tax code, which for decades has favored business profits at the expense of the home economy.

As the tax system is the main point of interaction between the vast majority of Americans and their government, explicit incentives for tying the knot, staying together, and bearing three or more children would offer a needed boost to the family.

That won't happen under proposals favored by economic conservatives to broaden the base and lower marginal rates, moves that would exaggerate the bias against human capital.

Such "reforms" would dump more of the tax burden on married parents raising children (viewed as consumption), while lowering the burden on business (considered investment).

Instead of investment in mere technology, buildings, and equipment, reforms should heavily favor, as Teddy Roosevelt believed, married parents who are expanding the size, creativity, and productivity of labor force -- the economy's true lifeblood, responsible for two-thirds of economic output.

Tax reform should also reverse the over-reliance on the payroll tax, the most burdensome levy on families. According to economist John Mueller, by generating revenue far greater than needed, payroll-tax surpluses have until recently allowed Democrats to fund goods that should be financed through the income tax, while allowing Republicans to offer loopholes or credits for investments.

To create jobs and give families a desperately needed break, President Obama's payroll-tax reduction must be made permanent and extended to employers.

The time is now to finish the task Moynihan highlighted in 1965 and Congress started in 1996: to reverse the policy disincentives to family formation that have hollowed out our society and economy to the core.

If we want to reduce debt, restore growth, and renew American exceptionalism -- not to mention improve health care, educational achievement, and overall well-being -- we need to direct our efforts, our energy, and our treasure to reviving marriage and the American family. We really have no other choice.

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