Should Congress Make the Expanded Child Tax Credit Permanent?

The American Rescue Plan Act enacted in March 2021 expanded the child tax credit to as much as $3,600 a year for children under six and made it fully refundable and perhaps payable in advance. At least some are hailing the credit as something close to a school voucher, saying the money could help pay for parochial school. It would also lift millions of children out of poverty. Should this one-year provision be made permanent law as is? Or are there alternative uses of this federal money or modifications to the policy that would bring better outcomes for children, with a lower risk of unintended consequences? Matthew Yglesias, a journalist who writes about economics and politics, and Scott Winship, director of poverty studies at the American Enterprise Institute, weigh in on these questions.

JEFF MANGIAT

Deprivation Is Not Simply a Material Matter

BY SCOTT WINSHIP

THE CHILD TAX CREDIT is a rare example of social policy aimed at American families that has enjoyed bipartisan support in recent decades. In 1994, it was included in congressional Republicans' "Contract with America." President Bill Clinton endorsed a credit the following year, and the Child Tax Credit became law in 1997. President George W. Bush's tax cuts included expansions of the Child Tax Credit, doubling its maximum from $500 to $1,000 per child. President Barack Obama's administration extended the increases and made the credit more generous for families without income-tax liability. Donald Trump's major tax bill doubled the Child Tax Credit to $2,000 per child and again made it more substantial

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Cash Is King in Supporting Families

BY MATTHEW YGLESIAS

THE FUNDAMENTAL ECONOMIC DILEMMA of family life is that children cost money but a well-functioning market economy does not magically allocate additional funds to the parents of young children.

On the contrary, having a child tends to depress the earning potential of the primary caregiver, typically the mother, and the facts of human biology are such that a woman's peak childbearing years occur well before the typical time for peak earnings. In traditional societies, this is a nonissue, because children serve as economic resources—they are farm hands, they are domestic servants, they are a retirement plan. But in the modern economy, children produce no income. They also

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for low-income families.

President Joe Biden, within his first two months in office, expanded the Child Tax Credit yet again, this time with sweeping—but temporary—reforms. The American Rescue Plan boosts the Child Tax Credit for most families, to $3,600 for young children and $3,000 for older children; makes it fully refundable (that is, families get the full amount even if they have no tax liability); allows families to receive the credit on a monthly basis; and extends eligibility to 17-year-olds. These provisions apply only to 2021, but the recently proposed American Families Plan would continue them through 2025 (while permanently extending the full refundability).

The Child Tax Credit has become an important element of both family policy and antipoverty policy. Social conservatives, in particular, appreciate the support it provides for parenting and childrearing. The American Rescue Plan expansion of the Child Tax Credit will reduce child poverty by a third, according to my American Enterprise Institute colleagues Alex Brill, Kyle Pomerleau, and Grant Seiter. So, what's not to like about more money for kids?

Making joblessness and single parenthood more common would further isolate low-income families from sources of social capital, even as we paper over the problem by pointing to lower poverty rates.

Well, to begin with, there is the considerable risk that, in focusing too much on reducing immediate short-term poverty, the new Child Tax Credit might make it more difficult to reduce entrenched poverty—poverty over long durations of childhood, intergenerational poverty, concentrated poverty, and social poverty, that is, inadequate social capital from family and other relationships.

By giving $3,000 to $3,600 per child to families regardless of whether parents work, the Biden Child Tax Credit expansion makes it easier to get by without any earnings by combining the credit with other safety-net benefits. This trade will appeal more to lower-income families, since the credit would replace a larger share of their income than would be the case for higher-income workers. And since single parents, on average, have lower incomes and must balance work and childrearing on their own, the trade will be most appealing to them. That situation could lead to more single-parent households, either because custodial parents find it easier to go it alone with the help of the tax credit, or because noncustodial parents decide it is easier to make custodial parents go it alone. Fewer and fewer children and adults get to enjoy the benefits of stable two-parent families, and our antipoverty policies, by encouraging single-parent families, only exacerbate this unfortunate trend.

President Biden signed into law an expanded, refundable Child Tax Credit.

KEN CEDENO / POOL VIA CNP / ALAMY IMAGES

If these incentives were strong enough, we could end up moving closer to the situation that existed before the landmark welfare reforms of the 1990s. Prior to those reforms, the typical family participating in the Aid to Families with Dependent Children program received benefits for an average of six years. Many families received benefits only briefly, relying on the safety net for temporary support, but a core group of recipients depended on benefits for a much longer time. Those families made up a disproportionate share of beneficiaries in any given month, because they remained on the rolls over time as other families moved on and off. In a typical month, the average duration of welfare receipt among recipients was 13 years. Some people argue that the tax credit is different from welfare because, unlike welfare, the benefit doesn't phase out until a fairly high income level, so tax-credit beneficiaries who work will end up with more money. But while the expanded credit does not penalize people for entering the workforce (or for increasing their hours), it makes it easier for those who don't want to work to forgo employment or work less.

Indeed, while the nation has achieved more success in reducing child poverty than is commonly recognized, low-income children are just as likely to become low-income adults today as in past decades. Child poverty was at an all-time low even before the American Rescue Plan passed. Poverty among the children of single mothers has fallen steadily since the early 1980s. Safety-net expansions have contributed to the decline in child poverty. But by disincentivizing behaviors that promote upward mobility—work, marriage, savings, and human-capital investment—the safety net has also likely contributed to stagnant multigenerational poverty. And since welfare reform, the increase in work has reduced child poverty all by itself. Child poverty is lower today, even if one omits

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heavily consume the kinds of labor-intensive services whose prices over the past couple of generations have gone up faster than the overall pace of inflation, in a pattern that shows no clear sign of abating.

Under the circumstances, the provision of flexible cash assistance to families is a vital step to strengthening American families and improving outcomes for children.

For the poor, research suggests that existing social-assistance programs, including the Earned Income Tax Credit, the Supplemental Nutrition Assistance Program (formerly called food stamps), Medicaid, and the Children's Health Insurance Program, all improve educational outcomes.

For middle-class families, the additional financial assistance contemplated by the Biden administration through the expanded Child Tax Credit is not likely to be as big a gamechanger. But for many families, it could open the possibility of parochial school, more-enriching summer activities, tutoring, or other supplements to existing public school offerings. In other cases, as Lyman Stone of the Institute for Family Studies points out, it could mean an increase in fertility, "adding tens or hundreds of thousands of births each year."

Indeed, the framing of the Child Tax Credit as a Democratic Party anti-poverty initiative probably obscures the extent to which cash assistance would promote conservative goals such as fewer abortions and higher enrollment in independent schools, especially religiously affiliated schools, which are usually the most affordable private option.

Conservative concerns with the tax credit largely focus on the fear that it will lessen incentives to work, particularly for less-skilled unmarried mothers, to an unacceptable extent, bringing back the bad old days of pre-reform welfare. Some progressives have tried to label such concerns categorically unreasonable by denying that the prospect of a large number of labor-force dropouts is cause for alarm, which only tends to bolster fears on the right and at the center.

But because of the difference between how the new tax credit and how older welfare programs are structured, an increase in nonwork is unlikely. Critics are in many ways misremembering the old Aid to Families with Dependent Children that, owing to its origins in Depression-era concern for widows, was structured so as to be spectacularly ill suited to modern life. Under AFDC, a parent's labor-market earnings led to an essentially one-to-one phase-out of benefits. Under those terms, few people would choose to do the kinds of difficult and often unpleasant jobs generally available to welfare recipients. But under Biden's plan, parents get the Child Tax Credit whether they work or not, so a nonworker's incentive to earn more money in the labor market is the same as any working person's incentive to score a raise, a promotion, or a new job—one gets more money, at least until the tax benefit phases out at the level of $135,000 for an individual with a child of six or older.

I'm struck that in Jason DeParle's classic book, *American Dream*, he finds that it was not uncommon for AFDC recipients to do gray-market work off the books, underscoring the point that the fear of losing benefits, not the lack of motivation to earn, was the main job-killing feature of old-style welfare. What's more, prime-age women's labor-force participation rates are higher in Europe, where there are more generous social provisions than in the United States, and the latest research from Canada indicates that the country's introduction of a generous child benefit had no impact on labor supply.

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For those concerned about labor supply, Biden has his own set of proposed solutions, including a cap on out-of-pocket child-care costs and universal preschool for three- and four-year-olds.

These ideas have some merit, but given real-world political and fiscal constraints, cash assistance deserves to take priority. This is not the place to rehash the entire universal pre–K debate. Suffice it to say that, while the best preschool programs are excellent, it is not obvious that their success can be quickly brought to scale. It's also inherently awkward for the federal government to become deeply involved with the direct provision of schooling, given that local governments run the K–12 schools.

The Washington, D.C., universal-preschool program is often cited as an inspiration for Biden's preschool initiative in the American Families Plan. But while I view the D.C. experiment as highly successful (my son is a veteran of two years of D.C. Public Schools' pre-K), the program also involved a number of circumstances that may not apply nationally. Before embarking on universal preschool in 2008, D.C. had access to many underused school buildings because of its under-enrolled public school system. The city also has an unusually large charter school sector that enjoys widespread political support and has fully participated in the preschool rollout. Last but by no means least, the dense urban environment makes it easier to match parents with available slots than it

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means-tested benefits and refundable tax credits from the equation, than it was in the mid-1990s *after including* cash welfare benefits.

Because poverty is geographically concentrated, if the expanded Child Tax Credit increases the number of single-parent families with no worker, it will do so in a similarly concentrated way. In one out of five American neighborhoods, single-parent families outnumber two-parent families.

And cash benefits are unlikely to reduce social poverty. Deprivation is not simply a material matter. It means having less power over one's life circumstances and options. It involves reduced opportunities to fill meaningful societal roles and make contributions. And it manifests in a dearth of supportive social connections. Making joblessness and single parenthood more common would further isolate low-income families from sources of social capital, even as we paper over the problem by pointing to lower poverty rates.

Beyond the risk of unintended consequences, there is also the cold, hard fact that it is an inauspicious time to expand spending on families dramatically. The American Rescue Plan will increase spending on the Child Tax Credit in 2021 by $110 billion. The expansion of the tax credit through the American Families Plan would cost $450 billion over 10 years but would only prolong most provisions through 2025. A permanent extension would cost in the neighborhood of $1.6 trillion over a decade, according to the Tax Foundation.

These are enormous sums. In 2020, the Child Tax Credit cost $125 billion. That is more than twice what the federal government spends per year on public elementary and secondary education, which is predominantly funded with state and local tax dollars. The Tax Policy Center projected the tax credit would cost $1.2 trillion over 10 years.

This spending picture raises again the distinction between poverty alleviation and mobility promotion. Public policy in the United States has been biased in favor of the former at the expense of the latter, since it's easy to transfer money to families (and often thought to promote mobility). If reducing point-in-time poverty were an effective way to increase child opportunity, we would expect to see increasing upward mobility rates over the same decades that poverty has fallen. The fact that mobility has remained stagnant suggests that expanding child opportunity will require a different set of policies.

The bias in favor of poverty reduction meant that we spent over a trillion dollars in 2020 in payments to households above and beyond what we would have spent in a normal year, even as we failed to prevent already yawning learning gaps from widening amid the pandemic. When Opportunity Insights tracked progress in an online math platform called Zearn, it found that students in the top fourth of ZIP codes by income initially saw a drop of nearly 25 percent in completed lessons. But by the end of the school year, they had recovered to pre-Covid levels. Other students were not so lucky. Those in the middle half of ZIP codes ended the school year down 32 percent, while students in the poorest fourth of ZIP codes were completing 41 percent fewer lessons than at the beginning of 2020. As of the beginning of May 2021, the lesson-completion rates for students in these poorest neighborhoods were still down more than 22 percent. We held poverty at bay, but opportunity withered.

The Biden administration then prioritized cash payments again in the American Rescue Plan, which transferred another $800 billion directly to households while providing $125 billion for K–12 education to help schools reopen.

It would be one thing if we were failing badly at the important goal of reducing child poverty. That might call for something like a child allowance despite the risk of unintended consequences. But by combining a humane safety net with work incentives and economic growth, the nation has reduced child poverty by something like 80 percent since the early 1980s, most of that since the early 1990s. As far as researchers can tell, child poverty in America is only modestly higher than in Canada, Ireland, and Australia, which have child allowances and less single parenthood than the United States. It is lower here than in the United Kingdom.

What we are failing badly at is increasing opportunity for poor children. Imagine if we had prioritized figuring out how to reopen schools fully this spring and then directed some of the funds spent on cash transfers toward remedial summer-learning opportunities. Imagine if we had provided funds for home visiting to ensure that poor children had the technology they needed for online learning and that parents had the supports they needed to keep their children on track. Imagine if we offered funds for online tutoring over the 2021–22 academic year.

But transferring dollars from the U.S. Treasury to families is what the federal government does best. Many progressives seem to think that handing out cash will solve all our social and economic ills, and many conservatives seem to believe that the federal government can't get anything else right. We are in dire need of a pro-opportunity agenda that rejects both views. E

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might be elsewhere. Even with these favorable conditions, it took years of capacity building to achieve the goal of universality in D.C.

Universal preschool remains a promising approach to providing childcare, at least when children are three and four, but it's fundamentally one where state and local governments need to be the leaders and operate in a way that's suited to local circumstances.

The federal government's competency in cutting checks to various entities lends itself much better to the cash-assistance idea. The expanded Child Tax Credit concept is strictly superior to the parallel Biden plan for a kind of childcare voucher system. That proposal would cap childcare costs at 7 percent of household income for all families earning less than 150 percent of state median income—with childcare completely free to the poorest families.

This is a fine idea, but if you had to pick one, the money option holds more merit. Families can spend the cash on daycare if they are so inclined, but they can also use it to cut back on work hours and do more traditional home care. This does raise the conservative fear of labor force dropouts, but realistically, "use the money to work less" is going to be most attractive to financially stable married couples who face higher tax rates and a lower marginal utility of money. Or they could choose to pay a family member for caregiving. You don't need to be a wild-eyed libertarian to see that it's inherently difficult for the government to assess the full range of situations that face young children and their parents. Individual families left to their own devices may not always make perfect choices about care arrangements, but it's still very difficult to beat freedom of choice, given the sheer range of family and work situations that arise.

The American Rescue Plan's cash benefit, set for extension in the proposed American Families Plan, should be the core of any congressional effort to expand the welfare state and improve child wellbeing. That's not to say this path is perfect. Many experts I've spoken to have doubts as to the IRS's actual capacity to pay out benefits on a monthly basis. And most refundable tax credits have lower uptake rates than a direct-spending program like Social Security. For that reason, Mitt Romney's version of a child-benefit program paid out by the Social Security Administration might be preferable to Biden's idea.

Beyond administration, there are various differences between the Biden and Romney visions. Romney's benefit is a bit more generous than Biden's, but it sunsets certain earned-income tax-credit provisions that Biden retains. Accordingly, which program gives you more money hinges on what your earnings are.

Romney also provides money further up the income chain (the Romney credit begins to phase out at $400,000 in annual income for a married couple, compared to $150,000 for the Biden plan as implemented) in exchange for totally eliminating the state and local tax deduction, which makes his program more strictly a transfer from nonparents to parents than from affluent to poor.

Tax credits that are only partially refundable exclude the neediest families. Bringing these families into the fold of a program that also benefits the middle class is one of the best things we can do.

Senator Romney has proposed a credit that would phase out starting at $400,000 in annual income for a couple.

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The differences between the two proposals, though, strike me as less important than the fundamental similarities.

Since 1995, the United States has greatly increased its provision of means-tested in-kind benefits to the poor. We have also bolstered work-linked tax-credit programs that are partially refundable. Both kinds of programs have proven benefits. But, because of its inflexibility, in-kind assistance offers less than one dollar of benefit for every dollar spent. And tax credits that are only partially refundable exclude the neediest families. Bringing these families into the fold of a program that also benefits the middle class is one of the best things we can do to strengthen American families as we emerge from the pandemic. And while such a policy is no substitute for getting the school system back up and running, it could be a critical supplement to everything the education system does and a politically appealing alternative to pushing more money through existing formulas and institutions. E

The Fix Is In

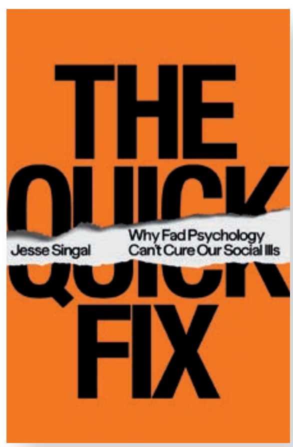
A skeptical look at "the oracle of social science"

The Quick Fix: Why Fad Psychology Can't Cure Our Social Ills
by Jesse Singal

Farrar, Straus and Giroux, 2021, $28; 352 pages.

As reviewed by Jay P. Greene

JESSE SINGAL'S NEW BOOK, The *Quick Fix,* is an impressive display of social-science journalism. Singal manages to describe complicated and technical issues accurately and with nuance, a feat rarely achieved by researchers, let alone journalists. The book focuses on six niches of social-science study that over the past few decades have had widespread influence on policies and practices beyond the narrow confines of academia. He takes on the self-esteem movement, the "superpredator" theory in criminology, the use of "power posing," positive psychology, grit, and the implicit association test for unconscious racial bias.



It would be too strong to say that Singal "debunks" the findings that drew attention to these six topics, but he does critique them and is particularly skeptical of claims that interventions or policies generated from these areas of study have the potential to significantly alter outcomes in real-world settings. He acknowledges the extent to which research supports such claims but points out the limited quality of that research, asserting that it is often so contingent on specific contexts that it does not apply more broadly.

For example, in the chapter on self-esteem, Singal discusses Carol Dweck's ideas about growth mindset, the belief that academic performance can be altered through personal effort. He acknowledges that a large randomized experiment published in *Nature* by Dweck and two dozen co-authors found that a "mindset intervention . . . does appear to have some effects. . . . If this research holds, it could be argued that mindset interventions do offer a minor but legitimate boost to a subset of otherwise academically vulnerable students—a boost that is at least somewhat related to self-esteem." His critique is not that self-esteem ideas are fundamentally mistaken, but that they have been grossly oversold and misapplied in contexts well beyond what can be supported by rigorous research.

Singal similarly concedes that a positive-psychology intervention, the Penn Resilience Program, or PRP, has had positive results: a study "found that while the PRP did appear to reduce depressive symptoms among students exposed to it, those reductions were small, statistically speaking." In the chapter on grit, Singal notes that "both conscientiousness and grit do appear to be correlated with school performance—somewhat." And in the chapter on the implicit association test, or IAT, to measure unconscious racial bias, Singal writes "there does appear to be a statistically significant correlation between IAT scores and behavior observed in studies; it's just so small as to likely be meaningless in the real world." Singal expresses plenty of reservations about how robust all of these research findings are, but he does not accuse their proponents of manufacturing false results. His real concern is about the use of these findings to attempt to shape and improve individual behavior in any meaningful way, especially on a mass scale.

If the main problem that Singal is identifying is one of overhyping and misapplying social-science research, it is unclear how much of the responsibility lies with researchers or others. Singal is inclined to place a fair amount of the blame on the researchers, who are drawn by the attention and resources that overhyped research can generate. This view does not seem entirely fair, given the extent to which politicians, foundations, reporters, and the general public are willing to lavish attention and resources on whichever researchers will confidently claim that they have consulted with the oracle of social science and divined guidance for how we should structure policy and live our lives. Education reform has especially suffered from this cultlike devotion to claims generated by social science, ignoring the glaring weakness of most social-science research while dismissing the useful insights of wisdom and experience.

The corruptibility of researchers is a problem, but that's only part of the story—especially because in several chapters we learn that the researchers recanted their findings or otherwise attempted to temper misuse of their work. For example, in the chapter critiquing the 1990s-era claim that the country was facing an alarming rise in superpredator criminals, Singal notes that the main proponents of that theory later abandoned their claims, even authoring a U.S. Supreme Court amicus brief to rebut them. In the chapter on "power posing" as a strategy for advancing women's careers, Singal reveals that one of the authors of the original study later posted a statement on her faculty website, underlined and in bold, saying, "I do not believe that 'power pose' effects are real." In the chapter on enhancing grit to improve student success, Singal concedes that Angela Duckworth, who developed the concept, tried but failed to contain the misuse of her findings: "To her credit, Duckworth has been significantly more


Jesse Singal

candid and transparent than other researchers who have found their ideas under scrutiny, and she has been generally open about the limitations of the research. . . . Duckworth has expressed frustration at the fact that she had, to a certain extent, lost control of the grit narrative."

There is a larger story here, which Singal does not fully develop, about why we as a society invest an unreasonable amount of authority in social science. He hints at this in his concluding chapters about the implausibility that priming, nudges, and other subtle interventions have large and predictable effects on human behavior, given how complicated and deeply rooted our motivations likely are. But he doesn't seem to see the problem as inherent in our overreliance on social science as a guide for life. He seems to think that if only researchers preregister their studies and exercise greater care, we can avoid these abuses. He favorably quotes "the champion of replication and transparency in psychological science," Brian Nosek, who writes that reformers have "irrevocably altered the norms and accelerated adoption of behaviors like preregistration and data sharing. Thanks to them, psychological science is in a different place today than it was in 2011. Psychology in 2031 is going to be amazing." Singal's cautious agreement with this optimism strikes me as naïve, especially given all of the abuses he so carefully documents in his book.

Education reform has suffered from a cultlike devotion to claims generated by social science, ignoring the glaring weakness of most of the research.

Singal accurately captures the nuance and detailed shortcomings of research but seems to struggle in discussing the bigger picture with similar skepticism. The heart of the book lies in the chapters, some of which Singal published previously as standalone articles, about the weakness and misuse of particular research claims. In cobbling this material together into a book, Singal may not have given priority to identifying the unifying themes of his chapters. A plausible conclusion he could have drawn is that while social science can shed light on human behavior and even help guide it, it is not the only or necessarily the most reliable source of wisdom on how to live our lives. That's also what the great religious traditions and their deference to experience and past practice are about. The Enlightenment values that gave rise to the social sciences can supplement the ancient teachings but need not replace them. Given how careful Singal is, perhaps he did not want to make an overly strong argument about unifying themes for fear of extending beyond his evidence, which is reasonable but makes the volume as a whole a little less compelling than it might have been.

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