NISKANEN CENTER

Toward a Universal Child Benefit

By Samuel Hammond and Robert Orr

EXECUTIVE SUMMARY

We propose turning the Child Tax Credit (CTC) into a true Universal Child Benefit. This will require making the CTC fully refundable and a periodic, monthly payment. By taking the form of cash, a Universal Child Benefit has the flexibility to meet the multifaceted and idiosyncratic needs of American families. This would be a huge improvement over the current CTC which, due to its phase-in rate and minimum income eligibility requirement, fails to reach families with the greatest need.

Our proposed annual benefit of $2000 per child under the age of 18, phased-out for high income households, would not require any new taxes. At an estimated net cost of $97 billion, the benefit could be paid for several times over by consolidating some existing child programs and streamlining the complex and fragmented bureaucracy that administers them.

We also consider a more modest Universal Child Benefit based on making the expansions to the CTC recently proposed by Hillary Clinton fully refundable. A fully refundable CTC of $2000 for children ages 0 to 4, and $1000 for children ages 5 to 17, would cost $59 billion more than the *status quo*, or $37 billion more than Clinton's proposal. Under both proposals, adjusting the phase-out threshold will eliminate the marriage penalty at potentially no extra cost.

Finally, we argue that program consolidation has benefits that go well beyond the question of how best to pay for improved support to children and families. A simpler system of child benefits would:

- Eliminate perverse incentives created by overlapping or duplicative programs;
- Treat stay-at-home parents and those who require external child services with neutrality;
- Increase fairness and equity by allowing the CTC to reach many low-income households for the first time;
- Reduce rent-seeking by third parties and other co-beneficiaries of programs delivered in-kind.

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INTRODUCTION[1]

As part of her broader platform on taxes, Hillary Clinton has proposed an expansion to the Child Tax Credit.[2] The plan would double the tax credit from $1000 to $2000 for families with children 4 and under, eliminate the $3000 minimum earning requirement, and increase the phase-in rate of the refundable portion from 15% to 45%. According to Tax Policy Center calculations, it would cost $16.9 billion in the first year, and roughly $22 billion annually thereafter.[3]

Under the Clinton proposal, the CTC remains unavailable for households with no income. This sets it apart from highly successful child benefit schemes, such as those in Canada and the UK, and does nothing to help unemployed single parents—a key cohort left behind by current cash transfer programs. However, no- and low- income households may be eligible for a suite of in-kind child care programs and resources. This simply preserves an indignity of the current system: higher income families are entrusted with direct cash transfers and indirect tax expenditures, but no- and low-income households must continue to rely disproportionately on in-kind benefits that restrict their autonomy, and quasi-cash benefits, like SNAP, that are more culturally stigmatized than cash.

Expanding the Child Tax Credit (CTC) is an important next step for reducing child poverty, but we can do better. A Universal Child Benefit, paid for by simplifying the existing complex and fragmented bureaucracy of child programs, is a fiscally responsible and pro-family way to expand opportunity to every vulnerable child in the country.

In this report we do several things. We defend the cost effectiveness of cash transfers compared to their in-kind counterparts. We describe the international experience with child benefits with a special focus on Canada. And we underscore the complexity of the current system of child assistance by contrasting it to the way programs are delivered to adults and the elderly, offering a provisional account of the political-economic dynamics that may explain the difference. Our bottom line is that Clinton's proposal, while better than many alternative proposals, can be improved by consolidating ineffective legacy programs and extending the refund down to low- and even no-income families who, for lack of earnings, would not otherwise qualify.

PROPOSAL: A GUARANTEED MINIMUM INCOME FOR KIDS

Consolidation

In order to finance a Universal Child Benefit, we propose consolidating existing child care spending. Yet some programs are more worthy of consolidation than others. For example, it would be folly to roll Medicare into Social Security, for the simple reason that Medicare is a national health insurance program with specific risk-pooling properties, and not a flat per-capita

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[1] The authors would like to thank Joshua McCabe for providing valuable feedback on an early draft.
[2] "Hillary Clinton Announces New Details of Middle Class Tax Cut Plan," HillaryClinton.com. October 11 2016. https://www.hillaryclinton.com/briefing/updates/2016/10/11/hillary-clinton-announces-new-details-of-middle-class-tax-cut-plan/.
[3] Richard Auxier, Len Burman, Jim Nunns, Ben Page, and Jeff Rohaly, 2016. "An Updated Analysis Of Hillary Clinton's Tax Proposals." TaxPolicyCenter.org.

transfer. The identical point applies to Medicaid and the State Children's Health Insurance Program (SCHIP). A flat child benefit is just that—flat—and therefore doesn't vary with the child's health as an insurance scheme *should*.

The best candidates for consolidation are therefore programs that deliver in-kind goods and services that the federal government has no advantage in providing, and tax deductions that accrue predominantly to high-income households. Eliminating the Dependent Care Credit and the dependent exemption would alone save about $44 billion a year, while making the tax code both simpler and modestly more progressive. Eliminating the five federal school meal programs would save $21 billion while reducing rents to food industry giants. And incorporating the proportion of SNAP received by children would save an additional $33 billion while increasing household autonomy.

Table 1: *Consolidated Child Care Spending*[4]

Program Name	2015 Federal Expenditure
Dependent exemption	$39.5 billion
Child SNAP receipts	$33.2 billion
School nutrition (5 programs)	$20.9 billion
Dependent Care Credit	$4.4 billion
Consolidated savings:	**$98 billion**
CTC (tax expenditures)	$28.9 billion
CTC outlays	$20.6 billion
Total:	**$147.5 billion**

A reduction or reallocation of federal discretionary spending of this magnitude, $98 billion, is rare but not unprecedented. During the 2011 budget battles, for example, proposals with cuts as high $92 billion and $108 billion passed in the house. And yet our proposal ought to be much less controversial. A revenue-neutral reallocation of resources that targets the same group while increasing choice and flexibility is quite distinct from a cut.

Cost Estimation

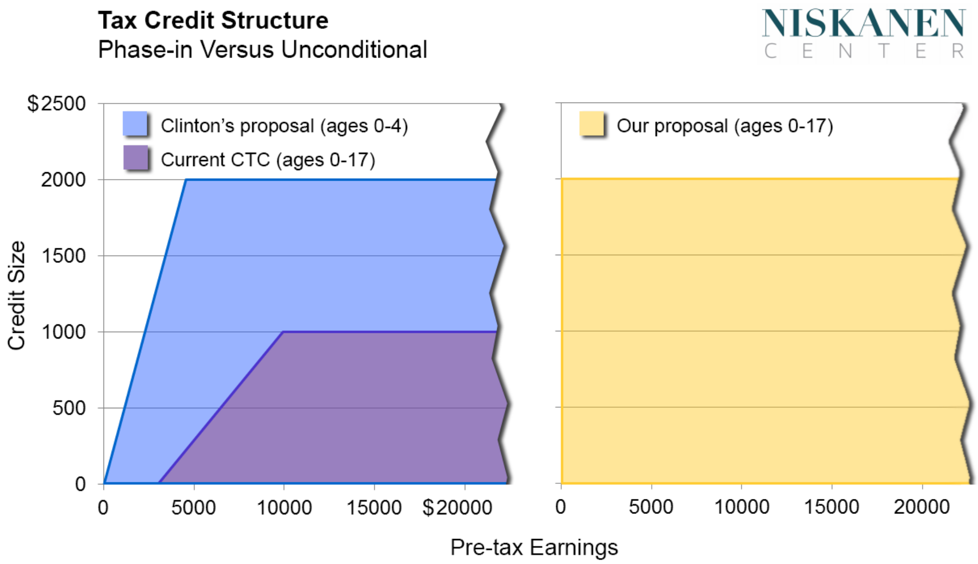
We estimate the cost of two Universal Child Benefit schemes using the 2015 Annual Social and Economic Supplement of the Current Population Survey. Both are fully refundable, meaning the phase-in is eliminated. Both are based on the current CTC phase-out rates: 5% beginning at incomes above $110,000 for married couples filing jointly, and $75,000 for Head of Household filers. We do this for comparability, but acknowledge that these phase-out rates in theory create a marriage penalty.[5] Consider two single people with children who have individual incomes just

[4] Steele, E., Isaacs, J., Hahn, H., Edelstein, S. and Steuerle, C. E., 2016. "Data Appendix to Kids' Share 2016: Federal Expenditures on Children through 2015 and Future Projections." Urban Institute. http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000935-Data-Appendix-to-Kids-Share-2016-Federal-Expenditures-on-Children-through-2015-and-Future-Projections.pdf.
[5] McCabe, Joshua, (2015). "A Pro-Family Child Tax Credit for the U.S." Family-Studies.org. http://family-studies.org/a-pro-family-child-tax-credit-for-the-u-s/.

below the $75,000 line where the phase-out begins. By marrying, their combined income of $150,000 suddenly makes them ineligible for what would otherwise be a sizable source of tax relief. Regardless of whether the incentive effects of the marriage penalty are large, the budgetary cost of resolving the marriage penalty is ambiguous. It could be eliminated by raising the married threshold to $150,000 which would increase cost, or by eliminating the Head of Household filing status which would decrease cost (the threshold begins at $55,000 for married couples filing separately). Thus, while a legitimate policy concern, for cost estimation we will set the issue aside.

Our first estimate is our preferred structure: a fully refundable $2000 child tax credit for any child under 18. Our second estimate is also fully refundable, but matches the rates of Clinton's proposal: $2000 children ages 0 to 4, and $1000 for children ages 5 to 17.

Figure 1: *Tax Credit Structure, Phase-in Versus Unconditional*

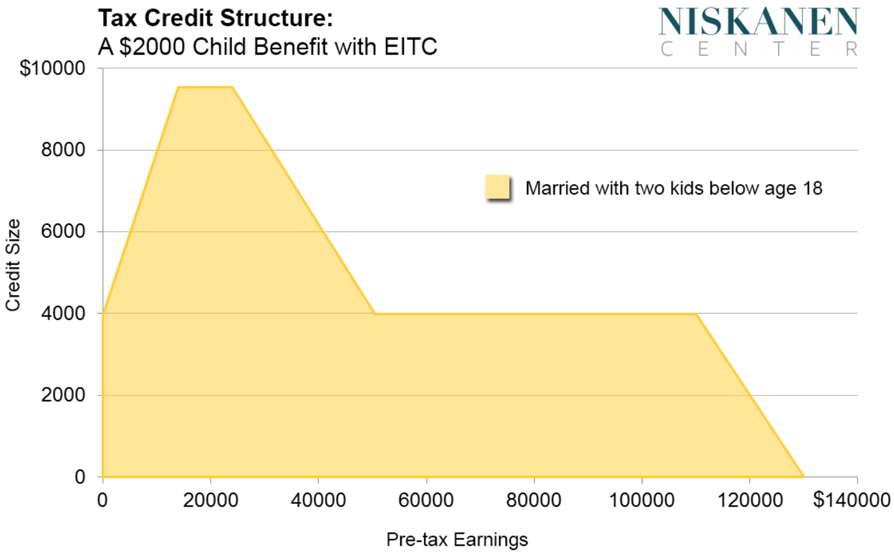


We find that a $2000 child benefit available to all children under the age of 18 with the current phase-out rates would cost approximately $143 billion a year, or about $97 billion in addition to the existing CTC. The true net-cost of consolidation and expansion is likely lower, however, as exchanging the dependent exemption for a $2000 per child credit represents could in fact increase revenues from many high income households. These revenues could be offset by tax reductions elsewhere. However, for revenue neutrality our proposal inevitably requires a modest redistribution of benefits from high-income households to low-income households.

Using the latest Supplemental Poverty Measure, we find that this policy would reduce the poverty rate by a full percentage point over Clinton's proposal, and by 1.7 percentage points relative to the status quo. While that is significant in itself, poverty lines understate the full distributional consequences of a fully refundable tax credit by failing to capture those who move from deep poverty into much less deep poverty.

Our second estimate improves upon Hillary Clinton's proposed CTC expansion. This proposal retains the current tax credit amount of $1000 for children ages 5 to 17, but doubles the size of the credit for younger children. The difference is that we make the credit fully refundable in order to reach the most vulnerable children and families. We estimate its cost at approximately $105 billion per year, or $59 billion over the status quo. This is more than paid for by our proposed consolidations.

Figure 2: *Tax Credit Structure, A $2000 Child Benefit with EITC*



A Universal Child Benefit will continue to co-exist with the EITC, which, due to its phase-in with earnings, serves the legitimate policy goal of promoting work among individuals with children. The maximum EITC payment with one qualifying child, plus a $2,000 child benefit, therefore brings the United States into much closer alignment with the generosity of similar schemes like the Canada Child Benefit—but divided in a way that captures the best features of a minimum income for children, and a wage subsidy to reward work within low-income households. This structure allows the Universal Child Benefit to put money into the pockets of vulnerable families without penalizing earned success.

WHY CASH MATTERS

Assistance to children is a rare issue with the potential to unite conservatives and liberals. On the right, conservatives see support for children as undeniably pro-family.[6] Children are further exempt from familiar worries about the "deserving and undeserving poor," and the negative impact of welfare on work incentives. On the left, targeted transfers to children are seen to have the benefit of filling a gap in the safety-net created when TANF supplanted traditional welfare, much of which went to poor women with children.

Nonetheless, there are better and worse ways of providing child assistance. One strategy is to pursue a constellation of in-kind programs that provide subsidized day care, school lunches, pediatric services, and so forth. A more streamlined alternative is to provide a direct cash supplement to families with children with the understanding that parents and guardians are far more likely to know how best to address their family's specific needs than Washington bureaucrats.

[6] Josh McCabe, "A Pro-Family Child Tax Credit for the U.S." *National Review*, November 23, 2015. http://www.nationalreview.com/article/427421/pro-family-child-tax-credit-us-josh-mccabe

Cash is Cost-effective

We now know from a large number of rigorous evaluations that direct cash benefits like the CTC and EITC are highly cost-effective programs for improving child outcomes in areas like health, educational attainment and general well-being—often several times more effective than their in-kind counterparts.[7] Take, for example, the recent finding that the EITC adds a quality-adjusted life year (QALY) to the recipient at an average cost of $7,686. QALYs gained is an important measure of the effectiveness of health interventions. For comparison, Medicaid is considered cost effective at $66,000/QALY gained, which implies that expanding cash transfers through the EITC is more than eight times more cost effective as a *health intervention* than direct spending on low-income healthcare.[8]

Cash is Fungible

Cash is fungible, meaning it can be used interchangeably for any purpose. Proponents of in-kind benefits therefore worry that a cash supplement to parents will be spent on things other than their children. However, the best evidence shows that, far from undermining the goal of child assistance, ancillary spending often explains *why* cash is so effective.

A 2015 study of expansions to Canada Child Benefit makes this point very clear. Previous research confirmed that its expansion led to large improvements in child outcomes, like physical and mental health, but this left open the question of "how." By studying household consumption patterns before and after the expansion, researchers found that outcomes for children improved through two distinct channels: by increasing direct expenditures on inputs like education and health ("the resource channel"), *and* by helping pay for general household items that reduced stress and improved family stability—what the authors refer to as "household stability items." For every dollar the child benefit increased, the average household spent 13 cents more on education inputs like computers and school supplies, but *also* 17 cents more on rent, 8 cents more on food, and 6.5 cents on transportation. Perhaps the most surprising result is that increases in the child benefit caused a significant drop in the consumption of tobacco and alcohol products. It's hard to say why an extra dollar would lead households to spend 6 and 7 cents less on cigarettes and booze, but one obvious possibility is that reducing a household's financial stress reduces its need for stress relief.[9]

Alternatives to Cash Can Have Bad Effects

Canada also provides one of the best examples of the unintended consequences of structuring child benefits in forms other than cash. Between 1997 and 2000, the Canadian province of Quebec extended generous subsidies to all children ages four and under that fixed the cost of

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[7] Marr, Chuck, Huang, Chye-Ching, Sherman, Arloc and Debot, Brandon, 2015. "EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds." CBPP.org. http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens.

[8] Muennig, Peter A., Babak Mohit, Jinjing Wu, Haomiao Jia, and Zohn Rosen. 2016. "Cost Effectiveness of the Earned Income Tax Credit as a Health Policy Investment." American Journal of Preventive Medicine, August. doi:10.1016/j.amepre.2016.07.001.

[9] 3. Jones, L., K. Milligan, and M. Stabile, 2015. "Child Cash Benefits and Family Expenditures: Evidence from the National Child Benefit," NBER Working Paper #21101. http://www.nber.org/papers/w21101.

daycare to $5 a day (by age five children enter kindergarten). Naturally, parents greatly increased their consumption of daycare, and female labor force participation rose. However, in the years that followed, child outcomes in Quebec deteriorated rapidly relative to the rest of Canada. Researchers tracked the daycare cohort and found alarming trends in a number of important behavioral measures, like aggression and fine motor skills, as well as a sharp rise in child anxiety of between 60-150%.[10] Family relationships also appeared to suffer, as mothers reported lower relationship satisfaction and less consistent parenting.[11] A follow-up study published in 2015 found the negative effects on cognition persisted well into adolescence, with the daycare cohort exhibiting higher crime rates and worse mental health overall.[12] The authors connect their finding to previous research showing that a child's time away from their parent in their first 4.5 years is a predictor of disobedience and aggression, independent of family backgrounds.[13]

The upshot of the last two decades of rigorously evaluated experiments in childcare policy is clear: It is incredibly hard to improve on cash and incredibly easy for non-cash alternatives to cause lasting damage. Attempts to micromanage child expenditures through in-kind benefits are often described as *paternalistic*, and in one sense they are. However, the term is misleading to the extent that in-kind benefits actively cut against the nuance and subtlety of genuine *parental* choice. Paternalism is no substitute for parenting. No bureaucracy has the fine-grained knowledge of which household items will best support child well-being and family stability. On the contrary, one-size-fits-all in-kind benefits are demonstrably less effective than cash in parents' pockets.

LEARNING FROM CANADA

More than twenty countries have instituted child benefits of one kind or another, several of which are summarized in Table 2 below. A true Universal Child Benefit is distinct from tax deductions or non-refundable credits for being paid out periodically throughout the year, even if household income is too low to owe income taxes. Undoubtedly, the most advanced child benefit scheme of its kind is the new Canada Child Benefit (CCB). The CCB was created in fiscal year 2015-2016 by consolidating three overlapping child tax benefits, leading to both more streamlined government and an expansion in benefits for most households.[14]

The CCB is a monthly, tax-free payment administered through the Canada Revenue Agency (CRA). Families with an annual net income below $30,000 receive a maximum annual benefit of $6,400 (~$4800 USD) per child under age 6, and $5,400 (~4050 USD) per child ages 6 through

[10] Baker, Michael, Jonathan Gruber, and Kevin Milligan, 2005. "Universal Childcare, Maternal Labor Supply, and Family Well-Being." NBER Working Paper #11832. http://www.nber.org/papers/w11832.
[11] Milligan, Kevin, and Stabile, Mark. 2008. "Do Child Tax Benefits Affect the Wellbeing of Children? Evidence from Canadian Child Benefit Expansions." doi:10.3386/w14624.
[12] Baker, Michael, Jonathan Gruber, and Kevin Milligan. 2015. "Non-Cognitive Deficits and Young Adult Outcomes: The Long-Run Impacts of a Universal Child Care Program." NBER Working Paper #21571. http://www.nber.org/papers/w21571.pdf.
[13] Early Child Care Research Network, National Institute of Child Health, and National Institute of Child Health Early Child Care Research Network. 2003. "Does Amount of Time Spent in Child Care Predict Socioemotional Adjustment During the Transition to Kindergarten?" Child Development 74 (4): 976–1005.
[14] "Canada Child Benefit." 2016. May 12. http://www.esdc.gc.ca/en/canada_child_benefit.page?utm_source=esdc&utm_medium=family-benefits&utm_campaign=canadachildbenefit&_ga=1.144730481.456718634.1453848810.

17. An additional $2,730 is available for children with disabilities.[15] This is much larger than the current CTC in the United States of $1000 per child ages 17 and under, but Canada does not have an Earned Income Tax Credit (EITC). The cash transfers available to working parents in the United States, while still less, are much more comparable when the CTC is considered in combination with the EITC.

Table 2: *Child benefits and earning supplements in other countries, 2016*[16]

	AUSTRALIA	CANADA	IRELAND	NEW ZEALAND	UNITED KINGDOM	UNITED STATES
Program name	Family Tax Benefit, Parts A & B	Canada Child Benefit	Family Income Supplement	Working for Families Tax Credits	Child Benefit, Child Tax Credit, Working Tax Credit	Earning Income Tax Credit; Child Tax Credit
Administering agency	Family Assistance Office; Australian Taxation Office	Canada Revenue Agency	Department of Social and Family Affairs	Inland Revenue Department; Ministry of Social Development	HM Revenue and Customs	Internal Revenue Service
Annual Benefit Amount	$13,029	$9743	$11,951	$11,244	$12,491	$7,548
Periodic Benefits	Optional	Mandatory	Mandatory	Optional	Mandatory (choice of frequency)	Optional; Not Available
Basis for calculating payments	Estimated earnings; current family composition	Income for prior calendar year; current family composition	Income for prior month (or other appropriate period); current family composition	Estimated income; current family composition	Prior year income; current family composition	Reported annual income; family composition
Periodic Disbursement method	Direct deposit to financial institution	Direct deposit to financial institution, or check	Direct deposit to financial institution	Direct deposit to financial institution	Direct deposit to financial institution	Added to paycheck by employer; tax refund

Two aspects of the Canadian system make it distinct from the U.S. child tax credit experience. First, the CRA has a robust system in place for periodic payments, while the IRS, due to administrative constraints, provides tax credits in the form of lump-sum tax refunds. (There is an advance payment option for the EITC, but it is rarely used). Periodic payments are important for helping households smooth consumption and pay for bills that don't happen to coincide with tax

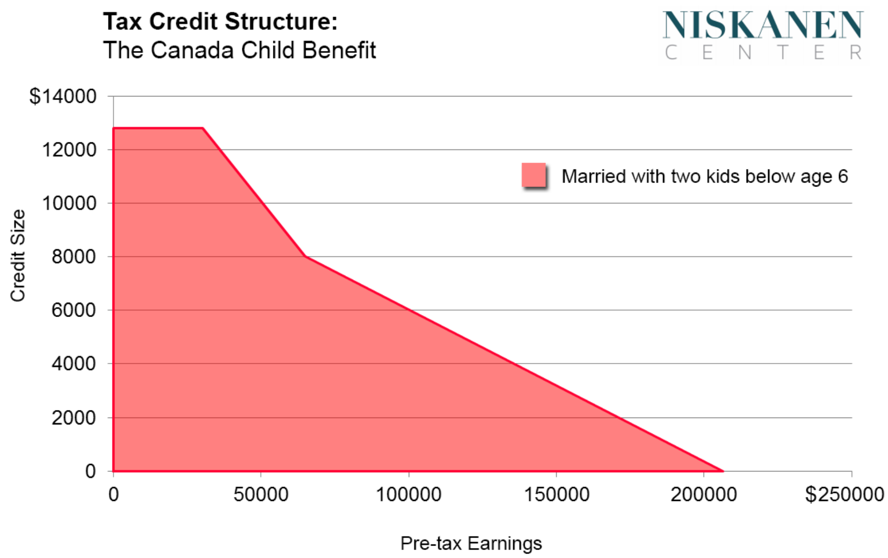
[15] The Government of Canada also provides an easy to use benefits calculator located here: http://www.cra-arc.gc.ca/benefits-calculator/.

[16] All in U.S. dollars using contemporary exchange rates: .77AUD; .77 CAD; 1.10EUR; .72NZD; 1.23GBP. Created by updating Table 7.1 of Holt, Steve, 2007. "Beyond Lump Sum: Periodic Payment of the Earned Income Tax Credit." http://www.frbsf.org/community-development/files/Holt_Steve.pdf.

season. They may also help reduce fraud, as the payoff from any single mistaken payment is much smaller.[17]

Second, the CCB is unconditional for incomes below $30,000. This means that it is available to a stay-at-home parent with no reported income, and doesn't vary as a function of earnings until it begins to phase-out beyond $30,000. The phase-out is in two steps to minimize increases in effective marginal tax rates, phasing out entirely around $190,000. This makes the CCB nearly universal, reaching 91% of Canadian families. Canada's Parliamentary Budget Officer (the analog to the Congressional Budget Office) has estimated the cost of the CCB at $22.4 billion for its next full year.[18]

Figure 3: *Tax Credit Structure, The Canada Child Benefit*



That Canada's federal childcare spending almost entirely takes the form of a cash transfer reflects Canada's strong commitment to federalism. Indeed, compared to the United States, Canada's federal government administers extraordinarily few programs.[19] Most federal spending is instead in the form of direct block-grant-style transfers to the provinces, or, in the case of the CCB, direct cash transfers to individuals. Indeed, the program that preceded the CCB, the Universal Child Care Benefit (UCCB), emerged as a response to efforts by the left-of-center Liberal party to create a national daycare program.[20] The Conservative government at the time

[17] Batchelder, Lily L., Fred T. Goldberg, Jr., and Peter R. Orszag, 2006. "Efficiency and Tax Incentives: The Case for Refundable Tax Credits." Stanford Law Review 59 No. 23.

[18] The Canada Press, "Canada Child Benefit Payments Will Disintegrate Over Time: Parliamentary Budget Officer." HuffingtonPost.ca. September 1, 2016. http://www.huffingtonpost.ca/2016/09/01/canada-child-benefit-payments_n_11821590.html.

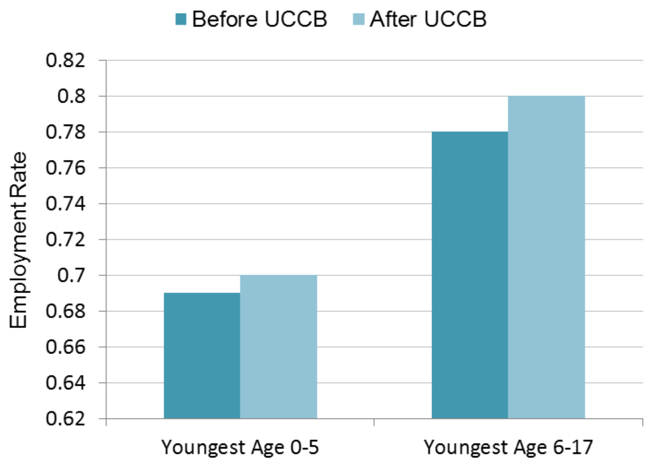
[19] 77.5% of public spending in Canada is at the sub-national level, making it the most fiscally decentralized country in the OECD. For comparison, the sub-national share of public spending in the United States is 47.8%. See the OECD's governance metrics for more detail: http://www.oecd-ilibrary.org/governance/oecd-regions-at-a-glance-2016/subnational-government-expenditure-as-a-percentage-of-gdp-and-total-public-expenditure-2014_reg_glance-2016-graph89-en.

[20] The Liberal Party ultimately borrowed the same strategy to undercut the socialist New Democratic Party's proposal for a national day care program in the 2015 election.

favored a universal child tax credit both to show neutrality with respect to parental choice[21] (not all families need subsidized day care), *and* to avoid starting down the path of a greater federal role in childcare.

Subsequent research has shown that these expansions have had large positive effects on test scores, physical health, and mental health, including for mothers.[22] Furthermore, this occurred without greatly reducing work incentives. In fact, following the implementation of the UCCB, female work hours, employment, and labor force participation *increased* for all mothers (fathers were unaffected).

Figure 4: *Employment of Married Women Before and After the Universal Child Care Benefit.*[23]



Similar considerations have led conservatives in the United States to support child tax credits. However, the same conservatives are often reluctant to embrace the fully-refundable or flat structure of a true child benefit. “Work-first” has been the motto of Republican welfare policy ever since the 1996 Personal Responsibility and Work Opportunity Reconciliation Act, and Democratic reformers tend to concede the importance of work requirements in welfare policy negotiations.

This presents a quandary. There are many federal childcare programs that are available to low- and no-income families who are not working. However, these programs’ benefits are mostly

[21] The Principle of State Neutrality in political philosophy states that governments should refrain from endorsing or promoting specific conceptions of how one ought to live their life, particularly if the worthiness of the promotion is widely in dispute. For example, opposing child poverty is a widely shared value within society, while the value of daycare and other specific consumption goods are matters of vigorous disagreement. Thus a liberal government is one which respects the different values of its citizens by opting to reduce child poverty with a more neutral medium, like cash. For more on this see Stanford Encyclopedia of Philosophy’s entry on “Perfectionism”: http://plato.stanford.edu/entries/perfectionism-moral/.

[22] Milligan, Kevin, and Stabile, Mark. 2008. “Do Child Tax Benefits Affect the Wellbeing of Children? Evidence from Canadian Child Benefit Expansions.” doi:10.3386/w14624.

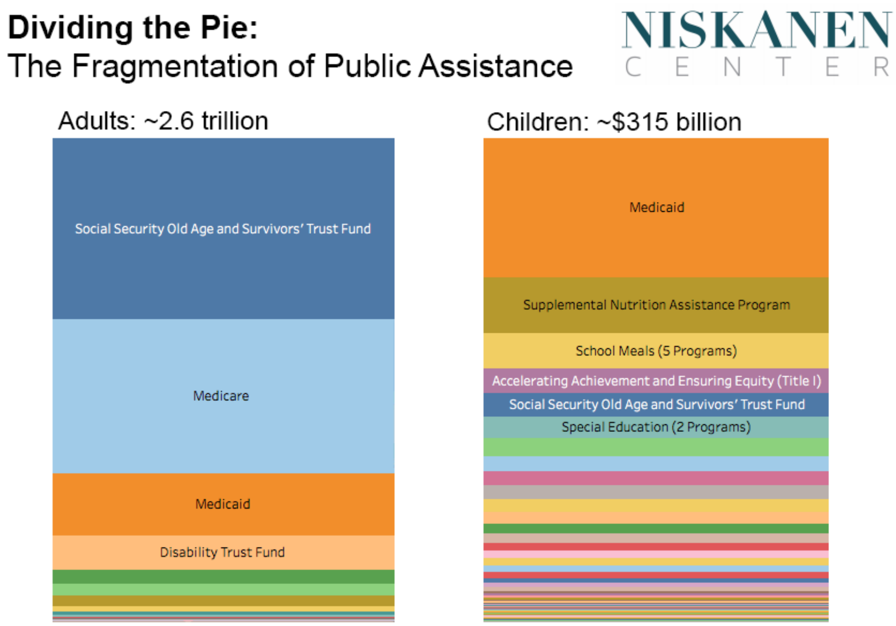
[23] Although there were small but statistically significant reductions in work within the low education group of mothers. See Figure 1 in: Schirle, Tammy, and Schirle Tammy. 2015. “The Effect of Universal Child Benefits on Labour Supply.” Canadian Journal of Economics/Revue Canadienne D’économique 48 (2): 437–63.

delivered in-kind. The only way to simplify and consolidate these programs (many of which are wasteful and redundant), while ensuring that benefit levels to low- and no-income households are not reduced, is to replace the in-kind benefits with an unconditional cash transfer. The Canadian experience not only demonstrates that this can be done, but that it can improve outcomes for children while having a minimal impact on work.

THE POLITICAL-ECONOMICS OF CHILDCARE POLICY

Federal spending on children in the United States has a couple characteristics that are unusual when compared to transfers to other groups. First, it is highly dispersed, spread across more than 100 distinct programs. Second, spending aimed at children overwhelmingly comes in the form of non-cash programs. In contrast, four-fifths of the spending on the elderly comes from just two programs, Social Security and Medicare, and is predominantly in the form of cash transfers.

Figure 5: *Dividing the Pie, the Fragmentation of Public Assistance*.[24]



As a result programs directed at children are often duplicative, or have areas of heavy overlap. For example, in 2015 the Healthy Start Initiative spent $87 million funding community-based initiatives aimed at improving the well-being of mothers and their children; the Maternal and Child Services Block Grant distributed $546 million in grants to government entities looking to achieve similar goals; and a separate block grant, the Childcare and Development Block Grant provided states $2.3 billion in financial assistance for childcare programs. Individually, none of

[24] Figure 5 was created in part by using the Urban Institute's Data Appendix to Kids' Share 2016 which provides multipliers for deriving the share of program dollars directed to children. Large tax expenditures like the EITC, CTC and dependent exemption are excluded from the figure in order to isolate the complexity of direct programing.
http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000935-Data-Appendix-to-Kids-Share-2016-Federal-Expenditures-on-Children-through-2015-and-Future-Projections.pdf.

these programs are budget-busting, but they add up in a way that their fragmented nature makes hard to see.

How did this diffuse collection of programs come to be? Children indirectly receive approximately 10% of the annual federal budget, but account for zero percent of the electorate. Children are thus uniquely incapable of expressing their needs as a single voice. Instead, a vibrant ecosystem of special interest groups advocate for particular programs on their behalf.

Imagine if Congress considered partitioning Social Security into various targeted programs—a universal nursing home scheme, a special nutritional program, and so on. The AARP and other senior coalition groups would surely deride the approach as wasteful and needlessly paternalistic. How, they would argue, could legislators and bureaucrats ever administer in-kind programs that adequately account for the enormous diversity of elderly needs? Why create a new program if it can be provided through a more general insurance program, like Medicare? Why risk creating another bureaucratic and costly agency like the Veterans Administration? And yet children are no less heterogeneous, and likely face an even greater diversity of life challenges that the current system doesn't adequately take into account.

Children nonetheless receive considerable federal assistance. But because their needs are articulated through third parties, the separation between the advocate and the beneficiary generates a principal-agent problem on both the supply and demand sides of child policy. This amplifies rent-seeking by interest group and legislators alike, resulting in suboptimal policy outcomes for American children.

On the demand-side of policymaking, interest groups advocate on behalf of programs for children for which they themselves are co-beneficiaries. The immense amount of lobbying behind school meal programs provides a clear illustration of this dynamic in practice. Together, the National School Lunch Program, the School Breakfast Program, the Summer Food Service Program, the Child and Adult Care Food Program, and Special Milk accounted for over $20 billion of federal spending in 2015. Why the federal government administers five distinct school meal programs is, from an effective public policy standpoint, a mystery.

Consolidating these food programs alone would come close to funding Clinton's proposed CTC expansion. But with so much money at stake, food industry giants such as Archer Daniels Midland and Tyson lobby heavily on behalf of the status quo.[25] While the children themselves might have preferred it if these funds had simply been given to the parents who possess direct knowledge of their child's tastes and dietary restrictions, they lack a seat at the policymaking table to make this a reality. If distant proxy groups weren't setting menus for millions of children at a time, it is likely that a lot less food would end up in the garbage.

On the supply-side of policymaking, politicians realized long ago that demonstrating concern for the wellbeing of children is an incredibly popular thing on which to campaign. As a consequence, it is not uncommon for politicians to become legislative champions of remedies to specific, salient issues faced by children, which drives the proliferation of programs.[26]

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[25] For more on the political-economics of school lunch programs see: Haskin, Ron, 2005. "The School Lunch Lobby." Brookings. https://www.brookings.edu/articles/the-school-lunch-lobby/.

[26] Another valuable political-economic factor has been highlighted by the sociologist Joshua McCabe. By tracing the origins of the CTC, McCabe shows that its support (and lack of refundability) is entangled in the politics and rhetoric of "tax relief." It is noteworthy that the announcement of Clinton's new proposal

For example, take former Rhode Island Senator John Chafee, who advocated throughout his career for the assistance of foster children, culminating in what is today known as the John Chafee Foster Care Independence Program. In another case, the late Senator Dan Inouye was personally responsible for inserting the Emergency Medical Services for Children initiative into the passage of the Affordable Care Act, which the Department of Health and Human Services describes as "the only Federal program that focuses specifically on improving the pediatric components of emergency medical care."[27]

Unfortunately, a social program cannot be designed for every specific scenario, nor do legislators have the clairvoyance required to anticipate every programmatic need in advance. Thus, targeted programs risk being far *too* targeted. As a result, they leave behind many deserving children while entrenching wasteful spending.

CONCLUSION

The current system of federal childcare programs in the United States is fragmented, cost-ineffective, and beset by interest group politics. Our analysis suggests that consolidating existing childcare programs and tax expenditures would free-up at least $98 billion in revenues, which is enough to pay for a fully refundable $2000 child benefit for every child under the age of 18, with a phase-out for high income households.

And yet the political-economic barriers to such a major reform are quite large. Childcare spending is fragmented because third-party advocates push for an array of initiatives in an uncoordinated fashion, while legislators champion ad hoc childcare programs out of political expediency. Once established, such programs are hard to eliminate, as in-kind benefits produce entrenched lobbies that extract rents from the status quo and then use the wellbeing of children as a device to squelch reform. A Universal Child Benefit that leaves all vulnerable children better off thus has a better shot at motivating change than consolidation all on its own.

Providing a minimum income to children is crucial to reaching the most vulnerable low- and no-income households missed by the CTC. Our analysis of the Canada Child Benefit, which is both fully refundable and five times larger than the current CTC, indicates a universal child benefit would also greatly improve educational and health for children and promote family stability within low income households. Fears of a negative impact on work are unfounded, with the evidence from Canada indicating minimal effects on work hours, labor force participation, and employment levels.

The research to date on Universal Child Benefits consistently confirms the virtues of cash as a cost-effective tool for promoting health and educational outcomes while respecting individual choices and lifestyles. The only question that remains is whether a policy that supports families and children in the most effective and dignified way possible is enough to unite the left and right in a battle to overcome the interest groups that stand in its way.

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contained repeated reference to tax relief, as well. For more on this see: McCabe, Joshua, 2016. "Fiscalizing Social Policy: How Taxpayers Trumped Children in the Fight Against Child Poverty." Manuscript submitted for publication.

[27] As quoted in HRSA, 2012. "Emergency Medical Services for Children." https://www.ems.gov/pdf/nemsac/aug2012/HHS%20EMSC%20update%20NEMSAC%208-2012.pdf.