The End of Welfare and the Contradiction of Compassion

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What should be done about welfare? Some scholars, such as Mary Jo Bane and David Ellwood (1994), are calling for a replacement of the Aid to Families with Dependent Children (AFDC) program with, among other things, higher minimum wages and higher earned income tax credits. More radical and influential schemes have been put forward by scholars such as Gertrude Himmelfarb (1995a, 1995b), Charles Murray (1994), and Marvin Olasky (1995). They are making the plausible claim that in the absence of other market interferences, abolishing tax-financed payments in cash and in kind will induce a large increase in private charitable donations of the same. Work disincentives will be attenuated: personal and voluntary exchanges will build character among the poor.

Economic scholarship as old as that of Malthus seems to support such a promise from welfare abolition. And anecdotes from job bureaus, food stamp lines, child support agents, courts, and prisons suggest that the home inspection by the Ladies' Betterment League is relatively attractive. But in the face of such major institutional change, even the scholar who dodges the empirical test and scorns the power of the state is aching for historical evidence beyond the vivid anecdote. It turns out that welfare—"public outdoor relief," to use the older term—was abolished in large- and medium-size cities of the United States over a century ago. Yet the evidence showing the results of the reforms, which bulks large, has not been examined.

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The tragedy is this: household-level evidence collected from the archives of a medium-size city suggests, when viewed in historical perspective, that replacing public outdoor relief with private charity did not increase the wages and employment of the would-be recipients of public outdoor relief. Further, it hardly made a dent in alleviating the dependence of relief recipients (which, I hasten to note, is distinct from reducing the size of relief rolls). Following a sharp reduction in the amount of public outdoor relief given to the poor in the late nineteenth century, the private charities initiating the reduction became well financed and generous to the "worthy" poor. These charities approximated the public expenditures per relieved household that had obtained during the spree that motivated the movement. Ironically, the induced generosity thwarted the reformers' objective of increasing self-reliance among the "worthy."

As a strategy for encouraging self-reliance, in other words, the privatization of outdoor relief fared little better in the United States than public outdoor relief, before and after the emergence of the welfare state. Exits from the rolls by way of higher earnings occurred at the same rate as those from the AFDC program. In fact, the average duration of a spell on outdoor relief has changed little between the 1820s and the 1990s. The privatization of outdoor relief in the late nineteenth century, unlike the supposed effect of Beecham's pills, did not "work like magic" to uplift weak character and human capital. The findings may surprise observers during the nth revival of concern about a dependency problem.

The Abolition of "Welfare" in Historical Perspective

The most ambitious attempt to privatize outdoor relief in America happened between the early 1870s and the 1900s, led by the Charity Organization Society. Ten of the largest cities abolished public outdoor relief, and many others, such as Indianapolis, sharply reduced the payments (Almy 1899–1900, 31; Mohl 1983, 35–50). In Brooklyn, for example, the annual cost of public outdoor relief in 1877 was ten or twelve dollars per household. The next year payments were cut by over half, and then were abolished in 1879, affecting more than 46,000 people (Devine 1898–99, 188).

Josephine Shaw Lowell ([1884] 1971) and Edward T. Devine (1898–99), both leading charity organizers, examined in Brooklyn ten years of aggregate data on indoor relief and on private outdoor relief supplied by organized charity. Finding no appreciable increase in expenditures or in caseloads after abolition, they concluded, fifteen years apart, that "the abolition of the outdoor relief in Brooklyn resulted in a real improvement in the status of the very poor" (Devine 1898–99, 188) and "There could scarcely be a stronger proof that the stopping of out-door relief does not cause the suffering that is anticipated … the need supplied by public out-door relief is in fact created by it" (Lowell [1884] 1971, 62). Apparent success in Brooklyn and then in Philadelphia inspired the Indianapolis Charity

Organization Society to lobby for abolition of public relief (Associated Charities 1886, 46–47).

Yet the "real improvement" was not properly demonstrated, despite Lowell's declaration of "proof." Their findings of little increase in indoor relief or the outdoor relief of one or two organized charities after abolition do not demonstrate that the wages and employment of would-be recipients of public outdoor relief had increased. What did happen to the 46,000 recipients of public outdoor relief? The "improvement" hypothesis has low power against important alternatives, such as death by starvation. After all, Sir Charles Trevelyan, a leading organizer in England, regarded "deaths by starvation as a discipline, a painful one admittedly," he said, "but nevertheless a discipline" (Hart 1960, 99). The American and English realities were not in fact so horrific. But the data examined by Lowell and Devine reveal little about the "creation" of "need," and reveal nothing about the level of material well-being and its enabling sources after abolition.

Although the reformers were inspired by Thomas Chalmers, a political economist who had organized private charities in Scotland in the 1820s and 1830s (Watson 1922, 33–38), they did not anticipate the generosity that their reform would induce. However, evidence found in the annual reports of the charity organization societies in Indianapolis (ICOS 1890, Box 5) and in metropolitan England (Humphreys 1993, 16) suggests that some 60 to 70 percent of the 46,000 in Brooklyn would have been "worthy" of private outdoor relief, and would have accepted it. In other words, many studies failed to account for the fate of thousands of individuals. Still, Allan Nevins ([1927] 1969), a noted historian, would later popularize the view of Lowell and of Devine: "Official provision for the poor … was rude, unsystematic and wretchedly administered. One great city after another furnished outdoor relief on the most lavish and careless scale, yet to the surprise of observers no increased demand fell upon private or public relief agencies [following abolition in Brooklyn], and no unusual suffering appeared" (327).

The enthusiasm for private charity in the battle against dependence is now quite alive. Gertrude Himmelfarb, whose new book (1995a) has attracted the attention of policymakers, has essentially called for a revival of the charity organization movement. Himmelfarb would like to follow the spirit of the New Poor Law (Himmelfarb 1992, 189–90; Himmelfarb 1995a; Webb and Webb 1909; G. Boyer 1990). She speculates that a "solution to the problems that beset us" is a Victorian attack on "moral pathologies" like "welfare dependence," promising a "fighting chance" of undoing the "culture of dependency" created by the welfare state (Himmelfarb, 1995b). "If we seriously want to discourage dependency, criminality … and the like," says Himmelfarb, "we have to do more than create a more rational system of economic and legal incentives.… We have, in short, to relegitimize morality as the basis of social policy and restore the language of virtue and vice."

Although the economic historians Mary MacKinnon (1987) and Robert Humphreys (1993) have studied quantitative aspects of the crusade in

England, economists have not reconsidered the reforms in the United States, let alone at the micro-level. The reforms of the late nineteenth century provide a natural experiment. The outcomes of the reforms are richly documented in the archives of several prominent charities in Indianapolis and offer a unique opportunity to study the labor market dynamics of the recipients of outdoor relief under a private system.

The Contradiction of Compassion A Model of Futility

Although it has enjoyed continuous usage since the eighteenth century, the simple economics of poor relief is piecemeal and contradictory. The problem is that the theory ignores the long-run effects on the labor market produced by the "crowding-in" of private charity. Private charity has been tacitly or expressly described by observers on the left and on the right as ephemeral, an immaterial addition to the budget of a poor person. Liberal and socialist scholarship since Dickens's A Christmas Carol (1843) has figured the middling classes a crowd of Scrooges before Marley's Ghost. Tiny Tim suffers in their stinginess, which is taken to be a prima facie case for governmental intervention. On the other hand, conservative scholarship has elevated the Ladies Bountiful and the Andrew Carnegies, who, when left alone, share generously in their bounty but whose beneficence does not produce negative effects.

And yet private charity cannot be in one time and place both small and harmful and large and unharmful. Modern economists (and humanists) are telling both stories, but each story harbors a fundamental contradiction in theory. The main problem is that theories of work disincentives and theories of the finance of poor relief are divorced, producing on the one hand counterfactual estimates of the labor supply of actual recipients of welfare that do not control for the receipt of private charity in the absence of welfare (Danzinger, Haveman, and Plotnick 1981, 975–80, 996; Moffitt 1992, 9–19). Sheldon Danzinger, Robert Haveman, and Robert Plotnick (1981) report that participation in the AFDC program reduces labor supply from one to ten hours of work per week. This corresponds, Robert Moffitt (1992) found, "to percentage reductions of 10 to 50 percent of nontransfer labor supply levels" (16). The counterfactuals were computed by assuming, with some reservation, a "zero-transfer" (Danzinger, Haveman, and Plotnick 1992, 996) counterfactual, allowing "no change in private transfer activities relative to the level existing with the [public] programs in place" (1019; Lampman and Smeeding 1980). The point is that the percentage gains in labor supply in a world without welfare would be lower, much lower in fact, if a more likely value of private charity entered the counterfactual budget constraints.

Theoretical models of the relative efficiencies of private charity and public relief, on the other hand, have focused entirely on finance, omitting the labor market (Warr 1982; Roberts 1984; Bergstrom, Blume, and Varian 1986; Steinberg 1987; Steinberg 1989, 143–56; Andreoni 1989; Schiff 1990). Theodore Bergstrom, Lawrence Blume, and Hal Varian (1986, 43), for example, speculate on the efficiency of private systems, but they do not mention the labor market. In Capitalism and Freedom, Milton Friedman (1962) nearly connects the labor market with the idea that public relief crowds out private charity: "One of the major costs of the extension of governmental welfare activities has been the corresponding decline in private charitable activities" (191). Having listed the usual problems associated with the voluntary provision of public goods in "large impersonal cities," he argues that "so far as possible the [government antipoverty] program should, while operating through the market, not distort the market or impede its functioning. This is a defect of price supports, minimum-wage laws, tariffs, and the like" (191). Friedman, however, did not go far enough.

Private charity, then, is ignored in labor economics, and the effect of charity on labor supply is ignored in public economics. Yet the futility of privatization as a means of increasing self-reliance is evident. (The technical issues and their modifications here are more fully explained in Ziliak [1996a, 4–9].) The problem with Russell Roberts's model and with other models of crowding is that they assume a recipient of poor relief who derives utility merely from her own consumption, financed out of poor relief, and for which she does not even consider laboring. She does not make decisions to join the employed labor force or to vary her work effort when the relative price of staying with her children or looking for work has changed. But the heart of the welfare matter, going back to the Old Poor Law, is the pulse of labor (McCloskey 1973, 419–27; G. Boyer 1990, chap. 1). The contradiction can be observed in a familiar enthymeme:

Public outdoor relief reduces labor supply and encourages dependence;
Public outdoor relief largely crowds out private charity;
Therefore, abolishing public outdoor relief increases labor supply and encourages self-reliance.

The enthymeme is a reasonable description of beliefs held by eminent economists—among them, nowadays, Milton Friedman—and by scholars such as Charles Murray and Gertrude Himmelfarb. The Charity Organization Society deployed the enthymeme for lobbying purposes when it did not collide with their attacks on lavish, "sentimental" charity (Gurteen 1881, 3–5; Watson 1922, 33–35; ICOS 1886, 43–46; Almy 1899–1900; Devine 1898–99). To be sure, the explicit premises are in isolation sound pieces of price theory. But price theory suggests that all income subsidies, whether financed publicly or privately, reduce labor supply and encourage dependence. Despite a long history of practice, the two premises cannot be properly viewed in isolation in long-run analysis. The usual analysis does not produce an equilibrium. It implies that when public relief is abolished, private charity is crowded in largely—in Roberts's model, dollar for dollar—and yet the private transfers are said to be immaterial to the labor supply of the recipients. This is the contradiction of compassion.

When private charity is crowded in, the monies find their way into the hands of the poor, whose unemployment and destitution signal their worthiness to receive help but whose industriousness and ability to make other decisions are put into question by their very acceptance of help. The induced generosity may line the pockets of a preacher and a reformer instead of the pockets of a ward boss, but there are no theoretical reasons for thinking that the material standards of relieving the "worthy" change substantively in the context of institutional replacement. Donor demand for the public good may shift downward during the institutional replacement, adjusting donation behavior to reflect a change in attitude about "worthiness," yet leaving total expenditures per relieved household unchanged. The resolution of the contradiction is, therefore,

> abolishing public outdoor relief crowds in private charity,
> which hardly increases labor supply or promotes self-reliance,

so long as time away from wage labor is a normal good, or so long as job search is productive, among the "worthy" who receive help. A first approximation of the model of futility, formulated in the context of an economics without personal relations, states that when public outdoor relief is sharply reduced, private charity is crowded in, and the average length of a spell on outdoor relief is not much diminished.

The model of futility can be complicated by assuming donors derive utility from their own donations (Steinberg 1987, 1989; Andreoni 1989) or by assuming the population of donors is smaller than the population of taxpayers (Bergstrom, Blume, and Varian 1986). Analysis of labor decisions, in turn, can be complicated by a formal treatment of family labor supply or of search activity (Burdett and others 1984; Blau and Robins 1986), and the analysis of labor supply can be continuous or discrete. But the simple inversion of Roberts's model into a model of crowding-in, when joined with the always obvious implication that subsidies of time away from wage labor increase its demand, takes one a long way toward explaining data on the first privatization movement.

How Great Was the Crowding-in Effect?

In the literature concerning the measurement of crowding-in and crowding-out, there is a confusion that continues to exert a large effect on beliefs about the economics of poor relief. Richard Steinberg (1989, 150) surveyed the econometric literature on crowding-out and found regression coefficients of –\$0.05 to –\$0.30 in nine cross sections and time series since the Second World War. He (1989, 155) concluded from the survey "that when a local government reduces its provision of social services, it cannot count on the nonprofit sector to replace a very large part of these services." His conclusion, shared by many economists, is misleading; it is at least inaccurate as a historical fact. The studies cited did not estimate crowding-in effects, because the samples were not drawn to measure the response of private charity after a sharp reduction in public relief expenditures.

The studies did not estimate the size of crowding-out that follows a major institutional change, and yet the theories of crowding, including Steinberg's (1987, 1989), are relevant only in a context of major institutional change. Roberts (1984, 142) is explicit on this point: "the model... predicts that private charity first became negligible when government first intervened in a significant way in the charity market." Although Roberts (1984, 142) is mistaken in suggesting that the 1930s marked the first "significant" intervention—after all, observers in the 1870s, economists among them, thought the existing interventions warranted a privatization movement—the implication for empirical investigations of crowding-out is clear. So, too, for crowding-in: an upper bound on the crowding-in effect is best measured when government first stops intervening in a significant way. And yet the coefficient of -$0.30 reported by Burton Abrams and Mark Schmitz (1984, 566), widely cited as an upper bound on the crowding-out effect, was found in a nationwide cross section of private donations and state and local welfare payments in 1979, a year of ordinary activity.

I chose to study Indianapolis because it likely provides an upper bound on the labor-market success of the privatization movement; that is, an upper bound on the speed and scale of the transitions of the "worthy" poor from dependence to self-reliance following a major institutional change (Ziliak 1996a, app.). Public outdoor relief was not abolished in Indianapolis, but it was reduced to a low level, falling in real terms in four years from $50,000 to less than $7,000 (Ziliak 1996a, fig.1). Public outdoor relief per relieved household in 1877 was equal to about three weeks wages of an able-bodied common laborer. By 1885, public expenditures per relieved household were 16 percent of the earlier level (Ziliak 1996a, table 1).

Charity was not dead to begin with. In 1876 Indianapolis supported twelve private charities. Nevertheless, twelve more were established between 1877 and 1885 (Indianapolis City Directory 1885, 22–45), and between 1885 and 1895 twenty more sprang up (Indianapolis City Directory 1895, 47–49, 58–59). A sample of the names suggests the diversity of services offered and populations served: the German Ladies Benevolent Society, the Ladies' Hebrew Benevolent Society, the St. Boniface Benevolent Society, the Socialistic Sick Benefit Society, the Alpha Home for Aged Colored Women, the Woman's Relief Corp., and the German Lutheran Orphan's Home.

Middle- and upper-class donations to the organized charities did not alone replace 1876 public expenditures, but clearly outdoor relief in the early 1880s was largely financed and administered by voluntary efforts. That is, total expenditures on private charity are largely undercounted by the sample examined here. Accounting for the expenditures of some thirty-five other private relief societies and the expenditures of the many churches and individual families may reveal approximate replacement. But full replacement in total expenditure would be an odd event. After all, the reforms were retailed in a rhetoric appealing to desert as an ethical category. A line had to be drawn between "worthy" and "unworthy." Indeed, the conflation of need and desert as ethical categories (S. Gordon 1980, 94–114) justified the policy of helping only those who after thorough investigation were found to exercise industry, thrift, temperance, and honesty. Donor demand for outdoor relief in total had decreased because the well-being of the "unworthy" was hardly entering positively in the utility functions of the donors.

Elsewhere I have shown that the central predictions of the model were borne out: the crowding-in effect was substantial in total expenditure, and even the most prominent of the organized charities became relatively generous (Ziliak 1996a, fig. 1 and table 1). As the public expenditures per household were taken to the relatively low level of $3.40 per year by 1890, private expenditures rose to $15.10, ironically approaching the former "lavish" public expenditure in Indianapolis and exceeding that in Brooklyn. The crowding-in effect, measured by real payments of outdoor relief per household, was after a dozen years nearly dollar for dollar. Private charity, then, probably contributed to labor-market dynamics by magnitudes not unlike those of the public relief it replaced.

Spells on Outdoor Relief in Historical Perspective

I drew a sample of new entrants to relief rolls from the caseworker manuscripts of the Indianapolis Charity Organization Society. The new entrants span January 1, 1881, through early April 1881. The sample was drawn to make a strong case against the predictions of the model of futility: real relief per household was at a minimum; labor demand was relatively strong; and the cooperation of the township trustee and the organized charities was at its peak. The average duration of a spell on outdoor relief for the 1881 entrants, therefore, is probably a lower bound for Indianapolis—and probably for the nation—in the early 1880s (Ziliak 1996a, app.).

The average duration of a completed spell was eight months, and the average duration of all spells was ten months. Half the spells were completed in one month. Sixteen percent of all spells lasted one year or more.

Whether the spells were short or economically important depends on one's frame of reference. An ideal test of the hypothesis that privatization was futile would contrast the probabilities that recipients moved between the states of "out of work" and "employment" before and after the sharp reduction in public outdoor relief. Such a test is not possible with the Indianapolis data, because of insufficient "before" data. One of the innovations of organized, "scientific" charity, after all, was to introduce systematic record collecting for all applicants and recipients (Watson 1922, 118–36; P.

Boyer 1978, chap. 10; Katz 1986, chap. 3). Although no other micro-level studies of the late nineteenth century exist for comparative purposes, one can compare the Indianapolis findings to studies across time and space (see Table 1).

Upon inspection of Table 1, it becomes evident that something is amiss with the conventional stories about dependence. The average duration of a spell on outdoor relief has changed little since the 1820s. But constancy in

Table 1. Average Duration of a Spell on Outdoor Relief in the United States

Source	Data	Geographic Scope	Average Duration of a Spell (in months)
Hannon (1984)	Yates's sample of people receiving public outdoor relief in 1823; all family types; stock sample	New York State	5 (New York City); 9 (Rest of State); 7 (New York State) (All spells)
Ziliak (1996a)	Charity Organization Society and township trustees, 1881–1903; oversamples seasonal distress; flow sample	Indianapolis; lower bound for the nation	
	All family types		8 (Completed) 10 (All)
	Single mothers		7 (Completed) 13 (All)
Persons (New York, State of [1914])	The Charity Organization Society Association for Improving the Condition of the Poor	New York City	18 (All?) 24
	Brooklyn Bureau of Charities, Widowed Mothers, 1914; stock sample		30
Blank (1989)	SIME/DIME, 1970–76; single Mothers on AFDC; flow sample	Seattle and Denver	13.3 (Completed) n.a. (all)

Tienda (1990)	Urban Family Life survey, Chicago 1986–87; Single Mothers on AFDC, 1963–87, White and Mexican; stock sample	"Less than a year" (completed) About 24 (all)

Source: Ziliak 1996a, table 3.

Note: Average durations in stock samples, when divided by two, are comparable with those in flow samples.

the duration of spells is predicted by the model of futility: a major replacement of public relief or of private relief (such as that in the 1930s [Roberts 1984]) will not have much effect on the labor-supply decisions of the recipients under the new institution.

Did Privatization Increase Transitions to Self-Reliance?

The length of spells matters, but the manner in which recipients leave the rolls is also important. Increasing wages and employment played a critical role in the success of the privatization movement. Encouraging self-reliance meant getting the worthy poor off the rolls and more fully into the employed labor force, "raising the poor from a condition of dependence" (ICOS Minutes, 1880, 6). In the absence of public outdoor relief, private charity was to provide the leavening. A high incidence of exits by way of higher earnings would affirm contemporary and later declarations of "improvement" following the change in policy. Table 2 reports some characteristics of households at the beginning and end of completed spells.

Fifty-one percent of the households had earnings at the beginning of a spell, and 36 percent of those households left the rolls with higher earnings than they had during the spells. Is the exit rate by way of increased earnings high? Is it an exemplary figure? In historical perspective it appears not. The economist Rebecca Blank (1989, 258) found in 1970s Denver and Seattle that 31 percent of all single mothers left AFDC rolls with higher earnings—10 percent because the earnings of others increased. In their study of exits from AFDC using the twenty-one-year Panel Study of Income Dynamics, Bane and Ellwood (1983, 57) found that 32 percent left the rolls with higher earnings—7 percent because the earnings of other family members increased. In a survey of research using a wide range of methods, Bane and Ellwood (1994, 59) argue that about 40 percent of all spells on AFDC end because of an increase in earnings.

An analogy may illuminate the point. The marginal tax rate on the earnings of an AFDC recipient in Blank's sample was about 67 percent. For each dollar earned, $0.67 was taken away from the cash grant. If a family was

Table 2. Transitions of Households Entering Outdoor Relief Rolls in 1881

(71 Completed Spells)

Having	% of Households with Earnings at Entry	% of Households Higher Earnings at Exit
Head	30	14
Spouse and children	21	22.5
Head, spouse, and children	1	4

Source: Ziliak 1996a, table 4.

unfortunate enough to qualify for the program, the tax made it more difficult to leave home for honest employment (Moffitt 1992, 10, 13). The tax rate returned to 100 percent in 1981, relevant for half of the sample of Bane and Ellwood (1983, 10). For women and children trying to earn a living, the 1880s equivalent of the discouraging tax was having an ill or injured man in the house. Although wives and children were the post-spell breadwinners three times more often than men, 64 percent of all households did not leave the rolls with higher earnings. Nearly half the men were ill, or remained ill, at exit. It is difficult to declare with reformers and later observers that the evidence reveals an "improvement in the status of the very poor."

A Dollar Was a Dollar

The old enthymeme on poor relief was shown to be contradictory in theory, and the resolution of this conflict has empirical support in a large crowding-in effect and in the constancy of spell lengths. Exits by way of higher earnings, moreover, have been shown to be ordinary in historical perspective.

The implicit premise in the enthymeme, of course, is that private charity is personal and thereby wiser. This was indeed a premise of the charity organizers, who expected the private exchanges would help create a community in which the subtler habits of enterprise and application would rub off. In lobbying for the abolition of public outdoor relief, the Indianapolis Charity Organization Society argued that "the uplift would be great, as the cases of need would be treated with kindness, sympathy and the personal touch" (ICOS 1886, 46–47, Box 5).

The replacement of "sentimental" (Gurteen 1881, 5) philanthropy with ecumenical cooperation and scientific casework can be seen as an attempt to avoid the futility of mere privatization. Scientific charity, if secular and ecumenical, could in theory accomplish more than a mere shift of the burden of dependency from public to private charities. It could secure independence "by bringing the richer and poorer classes into closer relations with each other by means of thorough house-to-house visitation" (ICOS Minutes, 1880, 61; Gurteen 1881, 3–6). The plans were not borne out by the experiment but not, as Michael Katz argued, because their "method taught dependence."

It was in part a problem of identity. Few people doubt that work, reciprocation, prudence, and obligation are sustained or cultivated by gift relationships in well-functioning social groups. Some readers will be reminded of their own development during college, which their parents or relatives helped finance. But the "friendly visitors"—middle- and upper-class women who made the visitations—were not able to establish such bonds (P. Boyer 1978, chap. 10; Montgomery 1993, 71–83). One reason, as the social historian Michael Katz points out, derives from a contradiction in the movement itself: the desire to control the behavior of the township trustee (Katz 1986, 67; ICOS Minutes, 1880, 1–13). In Indianapolis, recipients could not distinguish private help from public authority. In fact, agents from the township trustee's office and from the Society sometimes interviewed a family together, as the following excerpt illustrates: "Feb. 11, '81. Visited. with Mrs. Hicks of Tp. T's office..." (FSA, bound volume 1201, Rec. 1046). During the decade of the 1880s, the Society recommended half their "worthy" applicants get relief from the trustee, which they did (ICOS 1890, annual report, Box 5). The effect of gaining cooperation with the public authorities was reinforcement of the policing aspects of relief, not of the nurturing aspects of voluntary relationships (cf. Montgomery 1993, chap. 2).

Despite Octavia Hill's advice "to know [the poor]—to enter into their lives" (Bremner [1960] 1988, 95–96), the charity workers and the poor did not work, worship, play, sleep, study, or live together. Oscar McCulloch, for example, was a leading intellectual in the city, who attracted to his lecture series and to his pulpit at Plymouth Church such luminaries as Henry George, Matthew Arnold, Mary Livermore (the suffragist), and Henry Ward Beecher (Weeks 1968, 105). Among his Indianapolis friends, McCulloch could name President Benjamin Harrison and Eli Lilly, regular donors to the Charity Organization Society (68). The general public was invited to McCulloch's cultural events (102), but it seems clear that the poor served by McCulloch's charities did not attend. The poor apparently did not attend his church, either (94–97).

The friendly visitors were critical about fashion and cleanliness, especially of women, and they ridiculed the English usage of foreign-born recipients. "Mrs. N," for example, was described by an unidentified visitor as "a strong healthy looking woman but of slovenly and draggled appearance—talks a good deal" (FSA, bound volume 1201, Rec. 1076). But difference was shaped in both directions:

> Mrs. [G], on inquiry, at once admitted that [Mr. F], a young man, had "boarded" with her for 4 [years] past. He is a carpenter, and has a mother living on Linden St. which "he calls his home." He is now out of work and has been "at home" for a week. Claims that he pays her $3.00 pr. week for "board," and owes her nothing. Showed a note from him, in which he admits he has no money and

> can't help her any now. Has learned that she had been obliged to call on the charitable societies—hopes she will not longer degrade herself by asking assistance of these "hypocritical femail [sic] societies..." & c. She is unable to work now, according to Dr. Ritter's statement, but she was made to understand why no aid could go into the family. She played the "brazen" all the way through. Denied anything criminal. Challenging proof. Admitted that brother Alonzo had made her house his home most of time since Christmas....There is no good reason why [Mr. F] and Alonzo should not help this woman.... Had a regular fire of questions and responses covering the whole matter, which proved very interesting to the visitors but not so to the visited. (FSA, bound volume 1200, Rec. 797)

Only one recipient in the sample was noted for being thankful for help (the Indianapolis Benevolent Society helped the individual's family move from Indianapolis to Chicago [FSA, bound volume 1201, Rec. 1026]). Applicants were not by and large ungrateful; rather, they were disconnected and saw the visitors and paid agents as obstacles to clear in a usually desperate, if only transitory, search for subsistence. Indeed, more than half the recipients were on and off the rolls in a month, having one, two, at most three meetings, hardly enough time to establish productive friendships, were friendship possible.

A dollar was a dollar. Personalization did not tighten moral bonds and thereby uplift earnings ability. The implicit premise of the old enthymeme—that private charity is more personal and thereby wiser—does not find empirical support in the privatization movement. This finding contradicts the views put forth by Himmelfarb, Olasky, and others. And yet these authors have not examined the micro evidence on the legacy of the privatization movement. Much of the extant research on welfare has suffered from a "Malthusian vice": beginning with Malthus, there has been a propensity for social scientists to judge the performance of one institutional arrangement without carefully investigating its historical or likely substitutes (Ziliak 1996b).

Coping with Dependence

Scott Gordon (1980, 10–12) once remarked that societies would do better by replacing the word solve with the word cope when faced with choices in political economy. Gordon's point is that the search for a solution—algebraic or otherwise—is illusory. The episodic attacks on poor relief over the past four centuries make this point vivid.

The stories of material discontinuity between the high tide of private outdoor relief and the emergence of the welfare state are by several measures unsound. The sometime financial and organizational efficacy of the private charities in a medium-size city suggests that poor relief, like the lighthouse

(Coase 1990), has flourished in the absence of a large governmental provision of similar services. Despite the use of brutish imagery in prose, the city of Indianapolis did not make "worthy" applicants struggle independently as fit by nature. (The treatment of the "worthy" in poorhouses, orphanages, workhouses, insane asylums, institutions for the "deaf, dumb, and blind," and in houses of refuge, not to speak of the treatment of the "unworthy" poor, is another story altogether.)

On the other hand, the thesis that dependence is a welfare-state problem that can be substantially reduced by privatization and by a moral reformation of a late Victorian sort, though fashionable in politics and news editorials, is not supported by a historical referent. Nor is the thesis supported by economic theory. The local finance and administration of poor relief were dressed in scientific and moral rhetorics, but the moneys entered the budgets of recipients just as other unearned moneys from strangers. Severely reducing public outdoor relief per relieved household did not raise earnings profiles above a level that compassionate people could accept without amelioration. Private compassion made a contribution to subsistence but did not bring more or better investments in human capital. Private charities did not help alleviate workaday constraints such as caring for children and the sick. In the city where the movement was likely to succeed, privatization, though personal, local, organized, and scripted in a language of virtue and vice, failed to increase self-reliance among the "worthy" poor.

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The data are found in collection M102 of the Family Service Association of Central Indiana, Inc. (FSA). The collection is on permanent loan to the Indiana Historical Society Library. Published and unpublished materials of the Indianapolis Charity Organization Society (ICOS), the Indianapolis Benevolent Society (IBS), the Friendly Inn and Wood Yard, and the Flower Mission—the "scientific charities"—are in the collection. Exceptions are documented in the text. Yearly runs of the Indianapolis City Directory are on microfilm at the Indiana Historical Society. Daily runs of the city newspapers—especially the Indianapolis Journal, the Indianapolis Sentinel, and the Indianapolis News—are a rich source of data on public outdoor relief. The dailies are on microfilm at the Indiana State Library and at the Marion County Public Library.

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