



Does Charity Begin at Home— or with Government?

by Joseph G. Lehman

Summary

President Bush wants to channel more money to faith-based charities because he believes such groups are more effective than their government-run counterparts. That's true, but his plan could actually harm the very programs he lauds by eroding the vital features that distinguish charities from state agencies in the first place.

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President Bush wants to channel more money to faith-based charities because he believes such groups are more effective than their government-run counterparts. But his plan might end up harming the very programs he lauds by eroding the vital features that distinguish charities from state agencies in the first place.

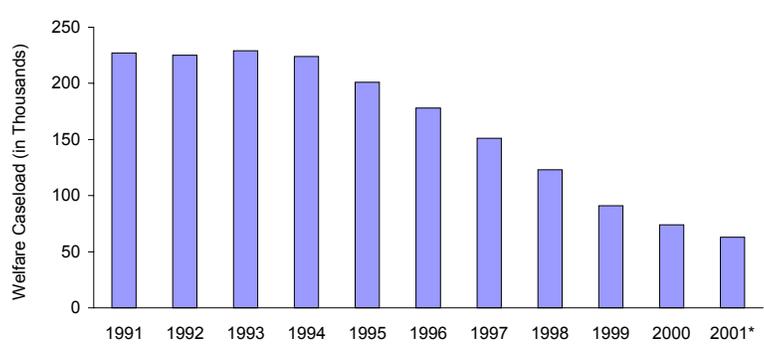
Powerful evidence suggests that Bush is right about the efficacy of private welfare programs compared to government ones. Due to private programs' independent and decentralized nature, it is difficult to gather comprehensive data on their success. But success stories do abound.

Kids Hope USA, a Christian program headquartered in Ottawa County, matches thousands of volunteer mentors with needy or troubled children in 24 states. Participating public schools report that detention rates for mentored students are down by 50 percent or more and academic skills have improved. Teen Challenge, another Christian ministry with a Muskegon affiliate, has a drug addiction "cure rate" of 86 percent compared to 20 percent for government rehabilitation efforts, according to a federal Department of Health and Human Services Study. And many other faith-based programs—whether Jewish, Muslim, Christian, or otherwise oriented—report similar successes.

Although nobody knows the true number of people helped by countless private religious programs in nearly every city and village, few would be willing to let government take over welfare completely. John Fund of the Wall Street Journal asked, "If you had a financial windfall and wanted to help the poor, would you even think about giving time or a check to the government?"

Bush hopes to infuse successful faith-based programs with new cash—and infuse federally funded projects with more success. He proposes a panoply of new government grants, amended rules, and tax changes. Let's address each of these.

Recent Reforms Have Helped More Michigan Families Move off Welfare



Source: Michigan Family Independence Agency

* Estimated.

As the economy slows, a limited state income-tax credit for charities could spur greater giving and help even more families make the transition from government welfare to independence.

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Bush's multibillion-dollar "compassion capital fund" would, among other things, grant seed money to groups venturing into social services. But to the extent the fund consists of tax money, it would actually subvert the goals of the charities it tries to help. That's because government welfare spending displaces private charity. Writing in 1984 for the *Journal of Political Economy*, Russell Roberts found that private relief spending in America rose steadily until 1932, but then declined consistently thereafter as government welfare spending rose. His conclusion: government welfare crowds out private giving almost dollar-for-dollar. When government takes tax dollars for "charity," not only does it betray the voluntary nature of true charity, taxpayers in turn give less to private groups.

Bush also wants to amend "charitable choice" rules of the 1996 welfare reform law. Religious groups would have easier access to billions of dollars in federal grants and social services contracts. Government at all levels already contracts with church-affiliated organizations for social services, which some argue is tantamount to government establishment of religion. But a bigger risk is government corruption of religion.

Not only do government funds come with productivity-sapping rules and paperwork, they can become the tail that wags the dog. Brian Anderson writes in a recent *City Journal* article that for decades Catholic Charities USA stressed how faith could help poor people correct self-destructive behaviors and values. Today, Catholic Charities receives 65 percent of its \$2.3 billion budget from government, and Bible reading, prayer, and spiritual counseling are scrupulously stripped from many of its programs. U.S. Sen. Rick Santorum recounts that one of the group's priests said, "We get government funds, so we're not Catholic."

The most promising part of Bush's proposal has received the least attention: tax changes that would foster more giving to private charities. Ideas include permitting charitable gifts from IRA accounts without penalty, raising the cap on corporate charitable deductions from 10 to 15 percent, and tax credits whereby donors would direct some of their own money to charities they believe in, instead of sending it to the government so bureaucrats can choose the charity.

More Michiganders are likely to need help as the economy slows and recent welfare reforms reach the limits of their effectiveness. Gov. Engler could be a welfare reform leader again by promoting a limited state income tax credit for qualified charities, faith-based or not, to aid those who need more than what government can deliver. Forgone income to the state should be subtracted dollar-for-dollar from current welfare budgets.

The real value of Bush's faith-based initiative is not making government funds more available to private charities, but making it easier to fulfill our personal responsibility to help our neighbor.

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(Joseph G. Lehman is executive vice president of the Mackinac Center for Public Policy, a Midland-based public policy research and educational institute. More information on welfare reform is available at www.mackinac.org. Permission to reprint in whole or in part is hereby granted, provided the author and his affiliation are cited.)

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Michael D. LaFaive
Research Project Manager
140 West Main Street
P.O. Box 568
Midland, MI 48640

Phone: (517) 631-0900
Fax: (517) 631-0964

www.mackinac.org
LaFaive@mackinac.org