



## Taking Aim at Welfare

*The Democrats' tendency to support "culture of dependency" programs will provide grist for the Republican mill.*

By: Jim McTague - June 15, 2013

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At the beginning of this year, President Obama and the Democratic Party looked invincible, while the Republican Party resembled one of those reality television losers in desperate need of an extreme makeover. Times have changed. As a consequence of Obama's recent scandal-fest, he and his Democratic Party need an extreme makeover too.

Republicans are not taking the Democrats' travails for granted. They are expending most of their energy on keeping their opponents in ugly pants in order to reduce their odds of taking back control of both houses of Congress in 2014. The GOP drumbeat is that Obama has ruined the country's economy by encouraging welfare dependency, and that he will inflict even more damage if voters give him a Congress that is prepared to rubber-stamp his agenda. Republican Exhibit No. 1 is Obamacare. Exhibit No. 2 is the generous system of safety nets for laid-off workers. Republicans assert that the culture of dependency these programs grow from is a major reason that long-term unemployment remains high even in a recovering economy.

The focus on welfare is a legacy of Mitt Romney's campaign. It was one of the few of his issues that resonated with independents as well as with the crazy-quilt GOP base. Republicans are intent on keeping the welfare issue alive through the midterms. In March, the GOP-controlled House passed a bill restoring work requirements for welfare recipients that they argue had been watered down by Obama. This week, the Republicans running the House Ways and Means Subcommittee on Human Resources will accuse Obama of creating massive disincentives for people receiving welfare and food stamps to look for gainful employment. One of the witnesses is University of Chicago economist Casey Mulligan, who wrote *The Redistribution Recession: How Labor Market Distortions Contracted the Economy*, a book that argues there is a link between low labor participation rates and generous welfare schemes. He is expected to tell the subcommittee on Tuesday that Obamacare will have the unintended consequence of making it even more attractive for unemployed people to continue on the dole.

Mulligan is the new darling among conservatives, and as such has become a frequent target of insults hurled by Paul Krugman, the Nobel Prize-winning economist and Obama apologist who frequently embarrasses himself in his column in the New York Times. Krugman says blaming welfare programs for high unemployment is like blaming soup kitchens for the Great Depression.

From common sense and experience, however, we know that there is verity in what Mulligan says. Despite the recovery, a record 47.8 million people were enrolled in the Supplemental Nutrition Assistance Program, or SNAP (what we used to call Food Stamps), at the end of 2012, versus 28.2 million in 2008. That's a 70% increase, and the annual cost of the program is around \$75 billion.

And as of May 31, 4.4 million people had been unemployed for 27 weeks or more, and the labor participation rate was 63.4%, the lowest percentage since Jimmy Carter's presidency. Mulligan says the overgenerous safety net is the reason for the low number. He estimates that four million heads of households and their spouses earned as much while unemployed as they did while employed.

Obama, in the gloomy days of 2009, when the ruined economy was struggling to get up off its back, rewrote eligibility rules for SNAP and other safety-net programs to allow states to open the system to more people, even those with gross incomes up to 200% of the poverty threshold, which is determined by the U.S. Census Bureau. About 43 states embraced the change. Many states dropped any asset tests so that people hit with job cutbacks would not have deplete their savings to survive. Today in Massachusetts, for instance, a family of four, with the children under age 19, can gross \$47,000 and be eligible for SNAP. In comparatively stingy Virginia, the cutoff for a family of four's eligibility is gross income of \$29,970.

**TAKE THREE DEEP BREATHS** before you go off on a talk-radio rant: The Brookings Institution in 2012 said that the average income of families on SNAP is less than \$9,000, and few families with over \$18,000 in income receive the benefit. Families of four can receive up to \$508-per-month in food aid—roughly \$17 per day. Families of eight can get up to \$962, or \$32 per day.

But Republican Rep. David Reichert of Washington state, who chairs the subcommittee, says the problem is that there are at least 83 federal programs spread across a dozen agencies that provide aid to low-income families. The Cato Institute a few years back put the number at 125. If a family collects multiple benefits from the federal government, then it might in fact lose more in benefits and tax credits than it would gain if a breadwinner takes a job or seeks a job that pays more, says Reichert. This, he says, is especially true for people close to the poverty line. He adds that "few federal welfare programs require benefit recipients to participate in activities to help them find work or work more."

Mulligan says that until he came along, no one was looking at all the well-intentioned safety-net spending to gauge the impact on incentives to work. Few people realized that all the programs, taken as a whole, added up to so much money, he says.

Welfare spending is close to \$700 billion per year, according to the Cato Institute, and spending has increased by over 40% since Obama took office in 2009.

What the government has done, says Mulligan, is increase the amount of resources that the population can have when their incomes are low, which perversely creates a confiscatory tax for someone trying to work his way out of poverty. Joblessness in effect is the logical economic choice for these persons.

The argument is complex. It is also one that's easily twisted by demagogues. And frankly, the public isn't paying much attention to it. But the GOP is unlikely to let go of it because of its obsession with preventing a Democratic majority in 2014. In modern elections, the guy with the most mud always wins.