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Stephen Spruiell

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Spreading the Wealth

The end of welfare reform as we knew it.

By Stephen Spruiell

When Barack Obama said he wanted to “spread the wealth around,” he meant it. A [new study](#) from Robert Rector of the [Heritage Foundation](#), estimates that Obama’s policies would spend \$10.3 trillion on welfare programs over the next decade.

Obama started increasing welfare spending immediately after assuming office. The [stimulus bill](#) included \$220 billion in new means-tested spending, including a little-noticed provision that repealed one of the key welfare reforms of the Clinton era. The 1996 Personal Responsibility and Work Opportunity Act capped welfare dollars to states, ending the perverse system that rewarded states for adding cases to their welfare rolls. The 2009 stimulus bill lifted the caps. Once again, states that add to their rolls qualify for more cash.

President Clinton said his legislation would “end welfare as we know it.” If Rector’s estimates are correct, Obama will spend twice as much on welfare as Clinton did. He is off to an incredible start. His \$88.2 billion increase in welfare spending in 2009 is twice as large as any other increase in history. By the end of next year, he will have increased welfare spending by \$263 billion, which is two and a half times greater than any previous increase.

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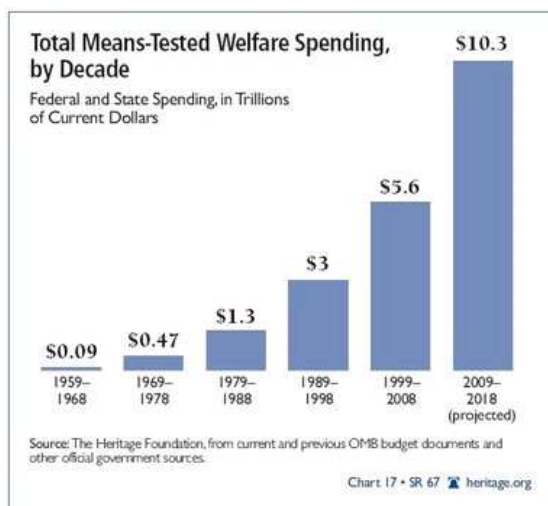
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As Rector points out, most of the new spending is permanent, such as the \$66 billion expansion of the State Children’s Health Insurance Program (S-CHIP). As Michael Cannon has [pointed out](#), S-CHIP tends to crowd out private insurance by offering a welfare benefit to families that already have coverage for their children. After all, why pay for insurance yourself, when the government is willing force other taxpayers to provide it? Obama’s S-CHIP expansion raises eligibility to three times the poverty level (\$66,150 for a family of four). This is welfare for the middle class.

Another new entitlement is the Making Work Pay tax [credit](#), which Obama wants to make permanent. (A temporary version of the credit was included in the stimulus bill.) The tax credit is “refundable,” meaning that people who pay no income tax are still eligible for checks. It is also means-tested; eligibility phases out above a certain income level. Its supporters argue that many people who don’t pay income taxes do pay FICA taxes, but it would be better to cut

rates across the board than to add a new means-tested entitlement. Refundable, means-tested tax credits actually raise marginal tax rates, discouraging their beneficiaries from working harder and earning more, and thus losing the credit.

Rector and his co-authors, Katherine Bradley and Rachel Sheffield, point out that, contrary to popular belief, welfare spending increased apace during the Bush years. “Simply extending the spending level from Bush’s last year (FY 2008) for ten years would cost around \$7 trillion,” they write. Welfare spending has grown steadily since President [Lyndon B. Johnson](#) declared a “war on poverty” in 1964. But Obama has dramatically increased the rate of growth to 15 percent per year over the first two years of his presidency. Rector estimates that by 2010, each household’s share of the welfare load will average out to \$7,600 per year.



From chipping away at Clinton-era reforms to creating new forms of welfare for the middle class, Obama is pursuing a nakedly redistributionist and statist agenda. Giving an ever-growing chunk of the budget to welfare is a recipe for making sure there’s a lot less wealth to spread around.

— *Stephen Spruiell is a National Review Online staff reporter.*

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