

No, we don't spend \$1 trillion on welfare each year

By Mike Konczal, Updated: January 12 at 11:41 am

If you've read any conservative commentary on the war on poverty in the past week, you've likely seen [this talking point](#): "We spend \$1 trillion each year on welfare and there's been no reduction in poverty." That's crazy! Then, a sentence later, you'll probably see a line like this: "It's true. According to a recent report, we spend a trillion dollars on means-test programs each year, yet the official census numbers show no reduction in poverty."

If you are reading that second line quickly, you probably think it bolsters the credibility of the first line. It's an "official" number, and the census and the report probably quote accurate numbers too, right? They do, but the second sentence is actually used as an escape hatch to say something that isn't true. We don't spend anywhere near a trillion dollars on welfare unless you mangle the term "welfare" to be meaningless, and we do reduce poverty.

First, Dylan Matthews has [already dissected the claim](#) that poverty hasn't declined. It has. It's just that the "official" poverty rate doesn't factor in the earned-income tax credit or food stamps in its calculations. Given that these are two of the most direct ways that the government tries to lift people out of poverty, that's a major problem. These programs do, in fact, lift people out of poverty--it just doesn't show up in the official rate, because that's how the rate is constructed.

The claim about \$1 trillion on "welfare" is more interesting and complicated. It shows up in this [recent report](#) from the Cato Institute, which argues that the federal government spends \$668 billion dollars per year on 126 different welfare programs (spending by the state and local governments push that figure up to \$1 trillion per year).

Welfare has traditionally meant some form of "outdoor relief," or cash, or cash-like compensation, that is given to the poor without them having to enter an institution. As the historian Michael Katz has [documented](#), the battle over outdoor relief, has been a long one throughout our country's history.

However, this claims says any money mostly spent on the poor is "welfare." To give you a better sense here, the federal spending breaks down into a couple of broad categories. Only about one-third of it is actually what we think of as "welfare":

1) Cash and cash-like programs: As Michael Linden of Center for American Progress told me, there are five big programs in the Cato list that are most analogous to what people think of as "welfare": The refundable part of the Earned Income Tax Credit (\$55 billion), Temporary

Assistance for Needy Families (\$21 billion), Supplemental Security Income (\$43.7 billion), food stamps (\$75 billion), and housing vouchers (\$18 billion) and the Child Tax Credit. All together, that's around \$212 billion dollars."

2) Health care: This is actually the biggest item on Cato's list. Medicaid spends \$228 billion on the non-elderly population, and children's health insurance plan takes up another \$13.5 billion. This is also roughly a third as well.

3) Opportunity-related programs: These are programs that are broadly related to opportunities, mostly in education or job-training. So you have things like Title 1 grants (\$14 billion) and Head Start (\$7.1 billion) in this category. But as Center on Budget and Policy Priorities' Donna Pavetti notes, these programs don't all go to poor people. For instance, Title I benefits school districts with a large share of poor children, however that money will help non-poor students attending those schools.

4) Targeted and community programs: What remains are programs designed to provide certain services to poor communities, which make up the bulk of the number of programs. Adoption assistance (\$2.5 billion) and low income taxpayer clinics (\$9.9 million) are two examples here.

So what should we take away from this?

--The federal government spends just \$212 billion per year on what we could reasonably call "welfare." (Even then, the poor have to enter the institution of waged labor to get the earned income tax credit.) And there have been numerous studies showing that these programs, especially things like food stamps, are both very efficient and effective at reducing poverty. They just don't show up in the official poverty statistics, because that's how the poverty statistics are designed.

-- Publicly funded services have never been thought of as welfare. I drive on publicly funded roads, but nobody analytically thinks of roads as belonging to category of "welfare." If the poor take advantage of, say, a low-income taxpayer clinic, how is that welfare? Do taxpayer clinics encourage illegitimacy, dependency and idleness and other things conservatives worry about when it comes to welfare? This confuses more than it illuminates, which I imagine is the point.

Medicaid makes this very obvious. If a poor person gets access to decent health care, that's not free money they get to spend on whatever they want. They aren't "on the dole."

-- The fact that Social Security and Medicare, major victories of the War on Poverty, aren't here makes it clear something is wrong in the definition. Even though these are anti-poverty programs associated with the War on Poverty, nobody thinks of them as welfare, though they should fit this definition as well.

--It's interesting to see conservatives consider opportunity programs to be "welfare," because those programs broadly involve things they say they are for. Perhaps you think these programs

are good investments or perhaps you don't, but they are a whole other conceptual category than welfare, or just giving poor people money when they need it.

It's also interesting to see conservatives lament the sheer number of anti-poverty programs. One reason this set-up exists is because so many programs are run through nonprofit groups (a set-up that makes us unique among developed countries). But conservatives have long tended to favor this arrangement, since nonprofit groups are supposed to boost civil society and provide an antidote to the nameless, faceless Big Government bureaucrats.

Read that again: conservatives complain that we should have less welfare and more opportunity and civil society, only to turn around and also call those things "welfare" too when the time comes.

-- Perhaps some of these programs should be discontinued, or expanded, or turned into straight cash. (How about cash instead of food stamps?) But we can't have a productive conversation unless we make it clear what the government is, and is not, doing. And it is spending a lot less on welfare than conservatives claim, and getting fantastic results for what it does spend.