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Here's How To Make Work, Rather Than Welfare, Pay

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Welfare: The president's assertion that a family with at least one full-time worker "should not have to live in poverty" is a worthy goal — and not a little ironic coming from someone whose policies have discouraged work.

The list of Obama's anti-work policies includes extensions of unemployment insurance and food stamps, making it easier to enroll in disability, ObamaCare's free health care coverage to people who aren't working, and so on.

The Cato Institute shows that welfare has become a substitute for work, offering many families a package of tax-free benefits worth \$30,000 or more in many states. Even modest work requirements for food stamps have been repelled by this White House.

Economist Casey Mulligan of the University of Chicago has pointed out that all of the welfare expansions under Obama have created crippling effective marginal tax rates on working. Every dollar of income from work can lead to 50 cents or more of lost welfare benefits.

So why work? Mulligan finds these perverse incentive effects help explain America's record-low labor force participation rate.

We also know that the best antidote to poverty is work, not welfare. The main cause of poverty in America is that most families that are poor have no one working at all. The average family in the top 20% of income has two workers and the average family in the bottom 20% has only half a full-time worker.

So how do we get back to making work pay and making welfare not pay? One really bad idea is to raise the minimum wage, which only prices low-skilled workers out of the job market. A more interesting idea is to raise the Earned Income Tax Credit.

Obama's budget would do this. He would raise this taxpayer-financed cash supplement to working families and expand the tax credit to \$1,000 for childless workers. Families with children can now receive an annual wage supplement of up to \$8,000 a year.

The EITC is a variation of Milton Friedman's old idea of a negative income tax to support working. It's not a perfect program — far from it, especially given the high fraud rates — but it does have two big advantages over all other welfare programs.

First, the payments go only to people who are working. And second, it does not require a vast self-sustaining welfare bureaucracy, as do other welfare programs.

So how does the federal government — now running half-trillion-dollar deficits — get the money to finance this EITC expansion? The answer is to eliminate all the other 70 or so welfare programs to employable adults.

This is along the lines of what Florida Sen. Marco Rubio and Rep. Paul Ryan are suggesting. The basic idea is make sure families with full-time workers aren't living in poverty, but stop paying any money to those who can be working but aren't.

The money is certainly there to finance this transition, and the plan could even save hundreds of billions of dollars each year. As the Heritage Foundation points out, we spend more than \$1 trillion a year on welfare, and if the money were spent efficiently, every family in America could be lifted well above the poverty line.

Instead, after we spend this tidal wave of tax dollars under Obama, 15% of Americans, or more than 45 million, are in poverty. That's a travesty.

Being poor in America is mostly a symptom of not working (in part because there often is no father in the home). Households without workers by definition have no wages and salaries. The vast majority of those who do work see their incomes steadily rise over their lifetimes. Even the typical minimum-wage worker gets a raise above the legal minimum within six months on the job.

The tragedy of Obama's policies has been to raise the poverty rate by paying Americans not to work at all. The left likes to talk of a "war against the poor" by Republicans, but the current perverse and corrupt welfare system that traps families in poverty is the real war.