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[The Something-for-nothing Quandary](#)

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By [Tad DeHaven](#)

Most of the debate over extending the Bush tax cuts has focused on whether to extend slightly lower marginal rates for higher earners who already bear a huge burden. But at the other end of the income spectrum, a growing share of Americans don't pay income taxes. Indeed, the Bush tax cuts increased the share of U.S. households that pay no income taxes.

From the [Wall Street Journal](#):

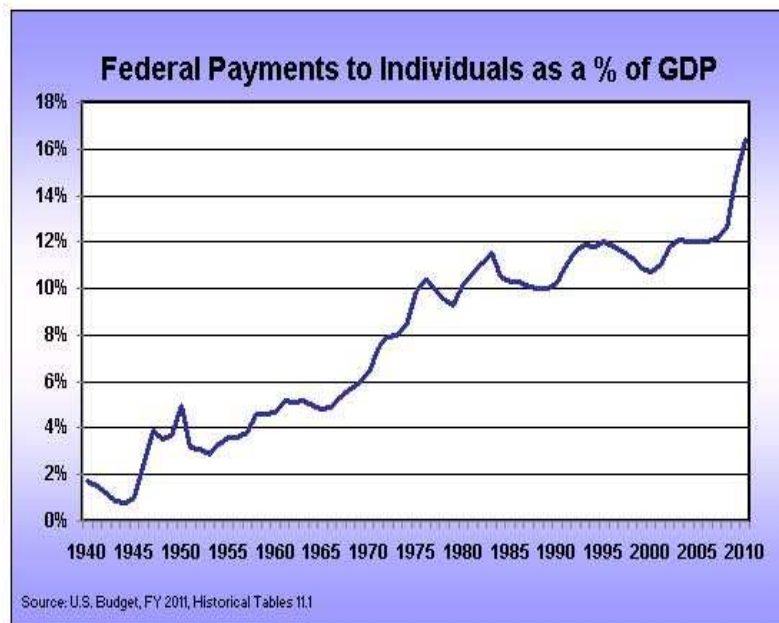
Efforts to tame America's ballooning budget deficit could soon confront a daunting reality: Nearly half of all Americans live in a household in which someone receives government benefits, more than at any time in history.

At the same time, the fraction of American households not paying federal income taxes has also grown—to an estimated 45% in 2010, from 39% five years ago, according to the Tax Policy Center, a nonpartisan research organization.

A little more than half don't earn enough to be taxed; the rest take so many credits and deductions they don't owe anything. Most still get hit with Medicare and Social Security payroll taxes, but 13% of all U.S. households pay neither federal income nor payroll taxes.

As the price of something drops, the demand increases. For a growing share of Americans, government services are effectively "free," so they are demanding even more and policymakers are giving it to them.

As the following chart shows, federal payments to individuals as a share of the economy have reached an all-time high after seventy years of steady growth:



George Bernard Shaw said that “A government which robs Peter to pay Paul can always depend on the support of Paul.” In order to head off the coming fiscal train wreck, Paul is going to need to be convinced that robbing Peter is no longer in his best interests. However, by foisting a larger share of the burden of government onto a smaller and smaller group of taxpayers, policymakers will make it more and more difficult for Paul to see the error of his ways.

Cross-posted at [Cato@Liberty](#).

Category: [bush tax cuts](#), [entitlements](#), [medicare](#), [social security](#), [taxes](#)

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