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The War on Poverty: \$15 Trillion and Nothing to Show for It

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Fifteen trillion dollars: That's how much American taxpayers have forked over in the name of helping the poor since 1964. And what do we have to show for it? A poverty rate that has barely budged, an entrenched bureaucracy, and a population — like that of Greece and Portugal, two welfare-state basket cases — increasingly dependent on government handouts.

These are the conclusions of a recent Cato Institute [report](#) on the American welfare state by Michael Tanner, Cato's director of health and welfare studies and author of *The Poverty of Welfare: Helping Others in Civil Society*. It is hardly an encouraging read, to say the least.

When President Johnson declared war on poverty nearly half a century ago, writes Tanner, "the poverty rate in America was around 19 percent and falling rapidly." Increasing prosperity brought about by the free market, coupled with strong civil institutions such as churches, charities, and fraternal organizations, was already accomplishing the unthinkable: making poverty, the general condition of mankind throughout most of history, a rarity in the United States. A rising tide, as Johnson's predecessor observed, does indeed lift all boats.

The man at the helm of the '64 ship of state, however, decided the tide wasn't rising quickly enough and so he would help it along by filling buckets with water from the port side of the ship and emptying them on the starboard side. Not surprisingly, this strategy failed to increase the water level. Thus, despite \$12 trillion in federal welfare spending and \$3 trillion in state and local government welfare spending over the past 48 years, says Tanner, "the poverty rate never fell below 10.5 percent and is now at the highest level in nearly a decade" — 15.1 percent and climbing. "Clearly," he adds, "we have been doing something wrong."

Of course, that all depends on how one defines success in the war on poverty. For those on the receiving end of government handouts — not just the poor but also those paid to provide services to them, such as doctors and landlords — success is getting more taxpayer dollars every year; and by that standard, the war has been a remarkable achievement. "Government spends \$20,610 for every poor person in America, or \$61,830 per poor family of three," Tanner reports. "Given that the poverty line for that family is just \$18,530, we should have theoretically wiped out poverty in America many times over."

The war on poverty has also been a rousing success for the bureaucracy. At the federal level alone there are now 126 separate anti-poverty programs administered by seven different cabinet agencies and six independent agencies. Then there are the hordes of social workers and government employees who administer the various programs. All of these people have a vested interest in the programs' continuation and expansion. As a result, "anti-poverty programs are usually more concerned with protecting the prerogatives of the bureaucracy than with actually fighting poverty," Tanner avers.

Needless to say, taxpayers have been the big losers in the war. Federal welfare spending has risen 375 percent (in constant 2011 dollars) since 1965. Total welfare spending has climbed almost as much: Governments are now disbursing \$908 billion a year to alleviate poverty, up from \$256 billion (also in constant dollars) in 1965. Moreover, notes Tanner:

Over the last decade the increase has been even more rapid. Federal welfare spending increased significantly under the Bush administration, but President Obama has thrown money at anti-poverty programs at an unprecedented rate. Since taking office, the Obama administration has increased spending on welfare programs by more than \$193 billion.

While some of the spending hikes under Obama can be attributed to the recession, Tanner writes, "part of the program's growth is due to conscious policy choices by this administration to ease eligibility rules and expand caseloads." This, he points out, "undid many of the incentives contained in the 1996 Clinton welfare reform, which helped states to reduce welfare rolls." As a result, the administration projects that "combined federal and state welfare spending will not drop significantly once the economy fully recovers," with the annual tab reaching \$1 trillion in 2014 and the 10-year total hitting \$10.3 trillion — an amount that, Tanner calculates, comes to "\$250,000 for every American currently living in poverty, or \$1 million for every poor family of four."

If all that money could really eradicate poverty, perhaps it would be worth it (constitutional and moral issues aside). Unfortunately, as we have seen, the massive amount of money already spent on that objective has failed to make a dent in the poverty rate. "In fact," observes Tanner, "the only appreciable decline [in the poverty rate] occurred in the 1990s, a time of state experimentation with tightening welfare eligibility, culminating in the passage of national welfare reform." The poor, despite the unprecedented redistribution of wealth in their favor, have been losers, too.

"The vast majority of current programs are focused on making poverty more comfortable — giving poor people more food, better shelter, health care, and so forth — rather than giving people the tools that will help them escape poverty," Tanner remarks. "The best way to create wealth," he explains, "is not through government action, but through the power of the free market."

That means that if we wish to fight poverty, we should end those government policies — high taxes and regulatory excess — that inhibit growth and job creation. We should protect capital investment and give people the opportunity to start new businesses. We should reform our failed government

school system to encourage competition and choice. We should encourage the poor to save and invest.

We should also set about shrinking all government transfer payments, not just those directed specifically at the poor. One of the ways politicians have bought off middle-class voters who oppose welfare for the poor is to offer those voters their own form of welfare such as Social Security and Medicare. Because of this, “government payouts, including middle-class entitlements, now account for more than a third of all wages and salaries in the United States,” according to Tanner. “Worse, if one includes salaries from government employment, more than half of Americans receive a substantial portion of their income from the government.”

“Any way that you look at it, we are rapidly becoming a society where more and more people rely on the government for their support.”

This is why our government is already nearly \$16 trillion in debt with many more trillions of dollars in unfunded liabilities as far as the eye can see. It is also why European welfare states are in their current precarious positions.

The grip of government dependence must be broken not just for the poor but for everyone. It is the only way to save both our dignity and our country’s financial future.