

Welfare for the Non-Poor

By Michael Tanner

Last week the Cato Institute released a new study that showed that a family collecting welfare benefits from seven common programs could receive more than someone in a minimum-wage job in 35 states, more than someone in a \$15-per-hour job in 13 states, and more than someone in a \$20-per-hour job in the eight most generous states.

The study received considerable attention and aroused appropriate outrage in many quarters. Yet, as upset as we should be by welfare policy that turns the social safety net into a cross between a hammock and flypaper, we should keep in mind that welfare for the poor is only a small part of the modern welfare state, which threatens to crush this country under the accumulated weight of taxes, debt, and dependency.

According to calculations by Greg Mankiw based on data from the Office of Management and Budget, roughly 60 percent of Americans receive more in government benefits than they pay in federal taxes. A Tax Foundation study puts the number even higher, suggesting that, because of policies put in place by President Obama, as many as 70

percent of Americans are now net recipients of government largesse.

In 1965, transfer payments from the federal government were equivalent to less than 10 percent of all wages and salaries paid in the United States. As recently as 2000, that figure was just 21 percent. Today, transfer payments are equivalent to almost 35 percent of all salaries and wages. And these payments are not going just to the poor. In 1979, for example, more than 54 percent of federal transfer payments went to the poorest 20 percent of Americans. Today, less than 40 percent does.

And, if one includes payments to government contractors and salaries of federal employees, roughly 97 million Americans — 31 percent of the population — receive more than half their income from the government.

Therefore, when we criticize the welfare state, we should keep in mind:

Corporate Welfare. The Cato Institute estimates that the federal government spent almost \$100 billion on corporate welfare last year. This is not even a question of dubious tax breaks — which it can at least be argued allow people to keep more of their own money, even if they are economically distorting — but rather direct payments and subsidies.

The single largest source of business subsidies is the Department of Agriculture, which provides \$25.1 billion in subsidies and payments to farmers. For the most part this

money goes not to mom-and-pop farms but to large corporate farms and agribusiness. The Department of Energy follows, with \$17.3 billion worth of corporate welfare. These days most of this goes to so-called green-energy companies, but traditional energy interests rake in their share as well.

Let us not forget federal agencies like the Export-Import Bank, which provides taxpayer money to corporations such as Boeing, Halliburton, Mobil, IBM, General Electric, AT&T, Motorola, Lucent Technologies, FedEx, General Motors, Raytheon, United Technologies, and, in its day, Enron. And the Small Business Administration, which chooses winners and losers among small businesses, while also providing a form of corporate welfare to big banks like Wells Fargo, JPMorgan Chase, and U.S. Bancorp.

Welfare for the Elderly. The two largest federal transfer programs are Social Security and Medicare. While many senior citizens object to even calling such programs “entitlements,” let alone welfare, because they paid taxes into the programs throughout their working lives, most will receive back benefits far in excess of what they paid in. For example, an average two-earner couple will pay roughly \$150,000 over their lifetimes in Medicare taxes and premiums. But they will receive more than \$350,000 in benefits. Yet many of the loudest critics of welfare for the poor are the quickest to object when future Medicare cuts are discussed.

For Social Security as well, those who retired before 2010 are receiving far more in benefits than they paid in taxes.

True, those seniors might have done better if they had been allowed to save and invest that money for themselves, but that's beside the point. The benefits they are receiving today are simply transfer payments from those working today.

And, while Medicaid is often thought of as a program for the poor, almost 20 percent of Medicaid spending is actually for long-term care for the elderly. While these elderly recipients technically qualify as "poor" today, many have simply transferred their assets to their children in order to shift their liabilities to the taxpayers. Indeed, entire industries of lawyers and accountants have sprung up to help the elderly shelter their assets in order to qualify for Medicaid.

Welfare for the Military. National defense is a constitutional responsibility of government, in many ways the first responsibility of government. And no one should forget that it is a dangerous world, and the United States has very real enemies. Nor is this a question of policy disagreement about America's role in the world, such as whether we should be subsidizing Europe's defense, the wars in Afghanistan and Iraq, or intervention in Syria. But many lawmakers have used defense spending as little more than a jobs program, demanding that weapons systems be built even when the Pentagon says those systems are not needed, simply because they are built in the lawmakers' districts. One of the most flagrant recent examples was Representative Jim Jordan and Senator Rob Portman, both Republicans of Ohio, insisting that the Army spend \$3

billion on Abrams M1 tanks for which the generals say they have no use. The tanks are manufactured in Lima, Ohio.

There is no doubt that this country spends a great deal on welfare for the poor. The federal government currently operates 126 separate anti-poverty programs at a cost of \$688 billion per year. State and local governments spend an additional \$284 billion. And we get far too little for that money — too many Americans remain trapped in poverty for far too long. In fact, welfare spending appears to have little effect on poverty rates.

But if we are going to be fair and honest, we need to be equally outraged by the rest of the welfare state. Fair is fair. And welfare is welfare.

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