

More Proof We Can't Stop Poverty By Making It More Comfortable

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On Jan. 8, 1964, President Lyndon Johnson delivered a State of the Union address to Congress in which he declared an "unconditional war on poverty in America." Then, the poverty rate in America was around 19% and falling rapidly. Last week, it was reported that the poverty rate this year is expected to be roughly 15%, and is climbing.

Between then and now, the federal government spent more than \$13 trillion fighting poverty, and state and local governments added another couple of trillion. Yet the poverty rate never fell below 10.5%.

The federal government now has 122 separate anti-poverty programs (defined as either means-tested programs or programs whose legislative language specifically refers to their purpose as combating poverty).

These range from Medicaid, the largest and most expensive anti-poverty program, to the tiny Even Start Program for Indian Tribes and Tribal Organizations. Combined, these 122 programs spent more than \$591 billion in 2009, and are projected to cost even more this year.

That amounts to \$14,849 for every poor man, woman and child in America. Given that the poverty line is \$10,830, it would have been cheaper just to mail every poor person a check for \$11,000.

Welfare spending increased significantly under the Bush administration, but President Obama has thrown money at anti-poverty programs at an unprecedented rate. Just during his first year in office, Obama's administration increased spending on welfare programs by more than \$120 billion.

(By way of comparison, President Bush increased welfare spending by roughly \$80 billion over his entire second term).

Some of the increase, of course, is due to the recession. But the administration has also made conscious policy choices to ease eligibility and expand caseloads. For example, the stimulus bill included a provision that created a new "emergency fund" to help states pay for added welfare recipients, with the federal government footing 80% of the cost for the new "clients."

This was an important change because it undid many of the incentives contained in the 1996 Clinton welfare reform for states to reduce welfare rolls.

Under the new rules, states that succeed in getting people off welfare would lose the opportunity for increased federal funding. And states that make it easier to stay on welfare (by, say, raising the time limit from two years to five) were rewarded with more taxpayer cash. The bill even let states with rising welfare rolls still collect their "case-load reduction" bonuses.

The end result is that one out of every six Americans is now receiving some form of government assistance.

Of course all this welfare spending could arguably be justified, if we were actually reducing poverty. But, as the most recent numbers make clear, we're not. Clearly we are doing something wrong. Throwing money at the problem has neither reduced poverty nor made the poor self-sufficient.

Instead, government welfare programs have torn at the social fabric of the country and been a significant factor in increasing out-of-wedlock births with all of their attendant problems. They have weakened the work ethic and contributed to rising crime rates.

Most tragically of all, the pathologies they engender have been passed on from parent to child, from generation to generation.

In fact, the whole theory underlying our welfare programs is wrong-headed. We focus far too much on making poverty more comfortable, and not enough on creating the prosperity that will get people out of poverty.

Observers have known for a long time that the surest ways to stay out of poverty are to finish school, not get pregnant outside marriage and get a job, any job, and stick with it. That means that if we wish to fight poverty, we must end those government policies — high taxes and regulatory excess — that inhibit growth and job creation.

We must protect capital investment and give people the opportunity to start new businesses. We must reform our failed government school system to encourage competition and choice. We must encourage the poor to save and invest.

More importantly, the real work of fighting poverty must come not from the government, but from the engines of civil society. An enormous amount of evidence and experience shows that private charities are far more effective than government welfare programs.

While welfare provides incentives for counterproductive behavior, private charities can use their aid to encourage self-sufficiency, self-improvement, and independence. Private charities can individualize their approaches and target specific problems that are holding people in poverty.

One definition of insanity is doing the same thing over and over and expecting different results. Perhaps that's something to keep in mind the next time we hear a call for more welfare spending.

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