NATIONAL REVIEW

The U.S. Is Now the Real Welfare State

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Our well-intentioned policies are keeping the poor in poverty.

In 2013, the New York Times reported on the case of Carina, a 36-year-old Danish single mother who had been on welfare since she was 16. Denmark has long had one of the most generous welfare systems in Europe, and Carina was able to collect about $2,700 per month in benefits, an amount that enabled her to live quite comfortably without working. A second welfare recipient discussed in the article, Robert Nielsen, had been supported by the government for more than a dozen years. He had not attempted to find work and did not intend to. As he said, "Luckily, I am born and live in Denmark, where the government is willing to support my life."

No one would be surprised to hear this. Europe, after all, has long been known for its lavish welfare benefits. Doesn't Paul Krugman or Bernie Sanders tell us every other week that we should be more like the Europeans when it comes to fighting poverty?

But a new study, recently released by the Cato Institute, suggests that the United States increasingly fits into the mainstream of welfare states, at least when it comes to assistance for the poor.

European countries do spend a far higher proportion of their GDP on social welfare. But much of that money goes to programs for the elderly or the middle class. When it comes to means-tested assistance for the poor, Europe is less generous and the United States is more generous than is commonly believed.

The Cato study looked at what a single parent with two children could receive from four broad categories of welfare benefits: social assistance, housing assistance, family and child benefits, and tax credits. We found that in nine European countries this hypothetical parent could receive total benefits worth more than $18,200 per year. In five countries — Austria, Finland, Ireland, the Netherlands, and the United Kingdom — benefits exceeded $24,300. And in Denmark, the most generous country, the potential benefit package exceeded $38,500 per year.

In most of these countries, the benefit package was large enough that it could pose a significant deterrent to transitioning to work. After all, people in these programs respond to incentives just like everyone else, and even in the nine countries with the smallest benefits, welfare potentially pays more than the minimum wage. In the other six countries, the benefits are worth more than

60 percent of the country's net income at average wage. Economists often discuss the fact that high marginal tax rates can discourage economic activity. But, when you consider the taxes themselves, the phase-out of benefits, and the costs of going to work, someone leaving welfare for a job will pay among the highest effective marginal tax rates in the world.

It's not that poor people are lazy; it's that they aren't stupid.

And how does the U.S. compare? On the basis of data from a 2013 Cato study of U.S. welfare benefits, we would slot in right in the middle of the EU countries analyzed, slightly above France and slightly below Sweden. In the U.S., a single parent with two children receiving benefits from six major welfare programs (Temporary Assistance for Needy Families, food stamps, housing assistance, fuel and heating assistance, the Women, Infants, and Children nutrition program, and free commodities) could potentially receive more than $20,500 (nationwide non-weighted average). In fact, in the six most generous jurisdictions (Hawaii, D.C., Massachusetts, California, New Jersey, and Connecticut), recipients could potentially receive higher benefits than in every European country analyzed except Denmark and the United Kingdom.

Moreover, we excluded Medicaid from this comparison, since European health-care programs are universal rather than means-tested. Depending on the state, those benefits could be worth an additional $6,300 to $10,400 for our hypothetical U.S. family.

At least in this aspect, the United States is becoming the real welfare state. Even more troubling, European countries appear to be ahead of us in recognizing the problems that excessive benefits cause, and in reforming their programs to put a greater emphasis on work. For example, several countries have consolidated multiple programs in their patchwork welfare systems. Others have strengthened work requirements or established time limits for benefits. Still others have established or expanded work-based tax credits or transitional assistance to increase the value of work. In many cases, these reforms are tentative, but they're steps in the right direction.

Work should be at the heart of any effort to reduce poverty. Getting that first job, even an entry-level, minimum-wage job, is perhaps the single most important step that a poor person can take toward getting out of poverty. That's why it is so disturbing that only around 30 percent of the families subject to TANF's work requirements were in compliance in 2012 (even under a broad definition of work that includes education, job training, and job search). Europe appears to be waking up to how self-defeating anti-work policies are. When will we?

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