

NATIONAL REVIEW

The Welfare State

How long can a shrinking number of taxpayers support a growing number of beneficiaries?

By Michael Tanner

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One hundred ten million! That's how many Americans now live in households that receive some form of means-tested welfare benefit from the federal government. According to a report from the Census Bureau released last week, that's the highest absolute number in American history, and it represents 35.4 percent of the American population. Think about it — more than one out of every three Americans live in households that are now on welfare. Looked at another way, America's welfare state now has nearly three times the population of the largest actual state.

Because many of these households include more than one person, the number of individual households is smaller, but still a record — roughly 33.5 million, more than a quarter of the country's households. Worse, 10.5 million households receive benefits from *three or more* separate programs.

While liberals would undoubtedly like to blame this on the bad economy, the welfare rolls have actually grown by nearly 4 million households since the end of the recession. Welfare is rising even as unemployment declines.

On the other hand, the growing welfare caseload cannot be blamed solely on President Obama. True, the number of people on welfare has increased by 12.5 million since he took office. But welfare also increased during the Bush administration: The proportion of households receiving SNAP (food stamps), TANF (Temporary Assistance to Needy Families), or SSI (Supplemental Security Income for the disabled) increased 36 percent during his presidency.

And none of these numbers include the middle-class social-welfare programs like Medicare and Social Security. Counting these programs, more than 153 million Americans, nearly half the population (49.5 percent), are living in households now dependent on government for a significant portion of their income.

Of course seniors may object to linking entitlement programs like Social Security and Medicare with welfare programs, since they paid payroll taxes that they were told financed those programs. But, in reality, payroll taxes are simply taxes like any other form of tax and are unrelated to benefits. As the Supreme Court held in *Helvering v.*

Davis (1937), "The proceeds of both [the employer and employee] taxes are to be paid into the Treasury like internal revenue generally, and are not earmarked in any way."

Besides, if you counted taxes paid into the system, today's seniors get back far more than they ever contributed. For example, a two-earner middle-income couple will pay roughly \$150,000 in Medicare taxes over their working lifetimes. While that is a great deal of money, that family can also expect to receive more than \$350,000 in benefits. Young people may end up net losers when it comes to Social Security, but today's retirees can expect to be big winners.

There are also some 2.76 million non-military federal employees, and millions more who depend on government contracts. Nor should we forget government subsidies paid to corporations, farmers, and others.

According to calculations by Harvard's 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 suggests that as many as 70 percent of Americans are net recipients of government largesse. Those numbers will only grow worse in the future.

Increasingly, the welfare state is us.

These numbers should scare us for two reasons. A healthy economy cannot realistically depend on an ever-shrinking number of people to produce the wealth that will be distributed to the larger population. As Margaret Thatcher reputedly said about the problem facing modern welfare states, eventually they "always run out of other people's money."

Yet, it should also be clear that the more people there are who depend on government programs, the harder it becomes to cut those programs. That is not to say that the people on those programs are freeloaders or refuse to take responsibility for their lives. But it does mean that they have a vested interest in maintaining those programs. Simply look at what is happening in European countries today. Despite the fact that their welfare states have become unaffordable, any attempt to trim benefits leads to massive resistance.

Have we reached that tipping point yet? No, but we may be getting perilously close.

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