



Instead of a Government-Guaranteed Income, How About a Plan to End the Washington Welfare State?

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The welfare state is a nightmare.

Programs such as [Medicaid are fiscal catastrophes](#). The food stamp program is [riddled with waste](#). The [EITC is easily defrauded](#), even sending checks to prisoners. And housing subsidies are a recipe for the [worst forms of social engineering](#).

The entire system should be tossed in the trash.

But what's the alternative? Some libertarians argue that we should eliminate the dozens of Washington programs and replace them with a government-guaranteed minimum income. I address this issue in an [essay for Libertarianism.org](#).

Some libertarians argue that the state should provide a minimum basic income, mainly because this approach would be preferable to the costly and bureaucratic amalgamation of redistribution programs that currently exist. It's hard to disagree with the notion that the current system is a failure. The Cato Institute's Michael Tanner has produced a [searing indictment](#) of the modern welfare state, pointing out that more than \$1 trillion is spent every year on redistribution programs for the ostensible purpose of alleviating economic hardship, yet (or more likely as a result) the poverty rate is at an all-time high. Perhaps one reason poverty remains high is that such programs make leisure more attractive than work, as [painstakingly illustrated](#) in a study produced by Tanner and Charles Hughes. Moreover, welfare programs create [very high implicit marginal tax rates](#), making it very difficult for poor people to improve their living standards by engaging in additional productive behavior. It's almost as if the system was designed to create permanent dependency.

In other words, it seems that nothing could be worse than the current system. And if you want more evidence, here's a [very powerful video](#) on the failure of the modern welfare state.

But what about the idea of trashing what we have today and instead offering everyone some sort of basic income? As I noted in my essay, there are “...some very iconic libertarian figures who support at least some version of their approach, including [Milton Friedman](#), [Friedrich Hayek](#), and [Charles Murray](#).”

I agree, but only sort of. I like the idea of radical reform, but I think there’s a better road to Rome. It’s called federalism.

The bottom line for advocates is that anything would be better than the current system, so why not try something new? They’re right, but there’s actually a better way of approaching the issue. Why not take all income-redistribution programs, put them into a single block grant, and then transfer the money – and responsibility – to state governments?

Here’s my argument for decentralization and federalism.

In an ideal world, the block grant would gradually diminish so that states would be responsible for both the collection and disbursement of all monies related to welfare. But that’s a secondary issue. The main benefit of this federalist approach is that you stop the Washington-driven expansion of the welfare state and you trigger the creation of 50 separate experiments on how best to provide a safety net. Some states might choose a basic income. Others might retain something very similar to the current system. Others might try a workfare-based approach, while some could dream up new ideas that wouldn’t stand a chance in a one-size-fits-all system run out of Washington, DC. And as states adopted different systems, they could learn from each other about what works and what doesn’t work. And since it’s easier to influence decisions that are closer to home, taxpayers at the state level almost certainly would have more ability to impact what happens with their money.

And here’s the bottom line on why a federalist approach is the libertarian solution to the welfare state.

Last but not least, I’m just a policy wonk, but I think the federalism strategy also has political appeal. As just noted, it worked with welfare reform. And I suspect a lot of non-libertarians and non-conservatives will intuitively understand that you’ll get better results if you allow diversity and experimentation at the state level.

P.S. There would be some bad news if we decentralized the welfare state. It could mean an end to [the Mocher Hall of Fame](#).

P.P.S. Replacing the welfare state with a (hopefully shrinking) block grant only addresses the problem of “means-tested” programs. If you also want to solve the problem of old-age entitlements, that requires [Medicare reform](#) and [Social Security reform](#).