



## **We Need to Reform Poorly Designed Entitlement Programs**

By: Daniel Mitchell

*Daniel J. Mitchell is a top expert on tax reform and supply-side tax policy at the Cato Institute.*

September 25, 2012

---

Mitt Romney is getting criticized for his surreptitiously recorded remarks about 47 percent of voters automatically being Barack Obama supporters because they don't pay federal income tax and thus see themselves as beneficiaries of big government. I think Romney raised an important issue, but he used the wrong statistic and jumped to the wrong conclusion.

Yes, we have almost half of households not paying federal income tax, and there's a risk of an unhealthy political dynamic if people begin to think they get government for free. But many of those folks have private sector jobs and believe in self reliance and individual responsibility. Or they're students, retirees, or others who don't happen to have enough income to pay taxes, but definitely don't see themselves as part of some "moocher class."

If Romney wanted to be more accurate, he should have instead cited the share of households receiving goodies from the government. That number also is approaching 50 percent and it probably is much more correlated with the group of people in the country who see the state as a means of living off their fellow citizens. But even that figure overstates the dependency mindset since many government beneficiaries—such as Social Security recipients—spent their lives in the private sector and are taking benefits simply because they had no choice but to participate in the system.

But while Romney picked the wrong statistic and overstated the implications, he started a very important discussion. As seen in both Bank of International Settlements and Organization for Economic Cooperation and Development data, the United States is at risk of Greek-style fiscal chaos at some point in the not-too-distant future because of a rising burden of government spending.

We desperately need fiscal reforms, particularly to deal with poorly designed entitlement programs. But it's much easier to adopt necessary reforms when a nation has a spirit of self reliance and personal responsibility.

Many European nations, by contrast, are having a hard time implementing reforms because too many of their citizens—as seen in polling data—think of government as Santa Claus.

In other words, if we want to maintain American exceptionalism, it would be a very good idea to figure out how to avoid trapping more and more people in lives of government dependency.