“Has America Become an Entitlement Society? Food Stamps, WIC, Subsidized Housing, etc.”

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In the fall of 1998, I found myself at the social security office. When my number was called, I entered into a small cubicle. I explained that a friend told me to come here because my children, ages 12, 10 and 6 had lost their father.

The clerk took some information from me and spent several minutes on her computer. She then turned to me and told me what each child would be receiving on a monthly basis until they were 18. And, of course, there would be annual cost of living adjustments and payment increases along the way as the older children turned 18. And, if they turned 18 while they were still in high school, payments would continue until they graduated.

I was literally floored.

“That can’t POSSIBLY be correct.” I said to her.

She leaned across the table from me and said, “It IS correct. Take it. They are entitled.”

Has America Become an Entitlement Society?

The word “entitlement” can mean different things to different people.

To you, it may mean Medicare and social security benefits that you will receive at 65 ... benefits to which you are entitled because you “paid in” to the system.

To some, it means welfare and public assistance programs for lazy and unmotivated people "on the dole" … people who think that life has dealt them a bad deal so feel entitled to welfare.

To others, it means "safety net" benefits provided to the "deserving poor" who **can't** work and are entitled to benefits because they are not able to support themselves.

And to many of the less fortunate, it means tax expenditures, loopholes and subsidies … entitlements for the wealthier Americans.

There is an element of truth to all of them.

Today, 49% of Americans receive some kind of benefit from our government. Some receive social security and Medicare benefits as a result of payroll taxes deducted. Others receive Medicaid benefits, food stamps, or other welfare assistance as part of our "safety net" programs. 1

So statistically speaking, if close to half of our population receives some sort of benefit from our government, it would seem that we ARE an entitled society.

But Americans are questioning the system: Is it necessary for the programs to be so vast? Are they healthy for us as a country? Are they sustainable? How much the government should provide, from Medicare to food stamps, is a constant topic of debate.

There are those who think that it is a government responsibility to provide a minimum standard of living for ALL people regardless of their circumstances. Some believe that sectors of our population have been generationally stuck in poverty for a variety of reasons and, because our society has failed them, they are entitled to assistance … be it food stamps, cash benefits, or whatever. They believe in a widely cast safety net to help all whose income is insufficient whatever the reason.

Others believe that we are moving toward a welfare state to the detriment of our country. They believe that the redistribution of income that results from the entitlement and welfare system is an affront to personal liberty and the traditional American values of independence and self- sufficiency. It is a disincentive to the wealthy to contribute resources to economic growth. It is a disincentive to those who can work but don’t want to because they get paid for doing nothing.

Both views may seem somewhat extreme. But they DO demonstrate the vastness of the differences in opinions about the role of government as provider.

Most entitlements are those for which lawmakers set eligibility rules and benefits and are part of mandatory funding in the budget. The programs MUST be included in the budget because benefits are paid by contract or because the recipient meets eligibility rules. In 2011, the $2.1 trillion in mandatory outlays accounted for over half of the $3.6 trillion in total federal spending. [2]

Reflecting an increasing elderly population and escalating healthcare costs, Social Security, Medicare and the federal share of Medicaid alone accounted for over half of mandatory spending.[2] Income security programs such as food stamps, unemployment, the Earned Income Tax Credit and Supplemental Security Income (SSI) also accounted for a large portion of mandatory outlays.

These mandatory outlays are an area of increasing concern as they get "first crack" at government resources. As they increase, there are fewer resources available to devote to discretionary spending. Other program needs, like defense, must compete from what remains. [3] Do we buy guns or provide butter?

Other non-mandatory welfare programs are similar to grants. They are budgeted and can be changed or eliminated within the budget process. So, in times of high debt and spending reductions, welfare benefits can be on the chopping block. Last month, a house bill which would repeal the Social Services Block

Grant was referred to committee. The repeal would be expected to save $1.4 billion in 2013. But the cuts would deeply impact those who rely on the services provided by the grant.[4]

I interviewed several social service providers who help families in need. Many of these families are trying desperately to find jobs that can support their families and in the meantime, are barely surviving on food stamps and welfare assistance. The means-tested welfare programs are their lifelines until they can get back on their feet. While there are those who try to abuse the system, the vast majority of their clients need help … whether due to unemployment, under employment, mental or physical disability. Are these people entitled to public assistance? Most Americans believe that those who are unable to work or are **trying** to work are entitled to help. Those that **CAN** work but **DON'T** are not.

Both professionals said that people are criticized for being dependent but we have created a system of dependency.

Are we fostering dependency? Many think so.

In his book, *Toxic Charity*, Robert Lupton describes the difference between crisis and chronic poverty. Crisis poverty results from a tumultuous event such as Hurricane Sandy or a disease epidemic. Such events require the immediate one-way assistance of the safety net to get people back on their feet. Chronic poverty calls for a different approach …engaging recipients in their personal development towards self-sufficiency…doing “with” someone, not “for” them.…requiring something of them in return. To address chronic poverty in the same manner that you respond to crisis poverty doesn’t help people. Doing or giving to people, what they can do or provide for themselves, takes away their dignity and does them harm. 36

He describes the results of giving assistance to those who can do for themselves:

“Give once and you elicit appreciation.”

“Give twice and you create anticipation.”

“Give three times and you create expectation.”

“Give four times and it becomes entitlement.”

“Give five times and you establish dependency.”36

Many think of welfare recipients as having a feeling of entitlement. Hopefully, the good fortune of those of us in this room will continue and we will never have to receive public assistance. But are we are also part of the entitlement culture? If we have had social security and Medicare taxes withheld from our paychecks, we will be anticipating the receipt of those benefits upon age 65.

Those benefits will be paid by those still in the workforce and, for the vast majority of recipients, will be substantially more than what we ever paid into the system. Do we not have a feeling of entitlement as well?

I certainly became "entitled" as my children received a collective total of 312 months of benefits. I can tell you most assuredly that **each** child received significantly more than what was put into the system as their father died at a young age.

So, how did we get to the point when over ½ of our budget is consumed by payments to mandatory entitlement programs and welfare?

Many believe that our "entitlement society" was born when FDR signed the Social Security Act creating our first federal social insurance program including old age and unemployment insurance. As time went along, Presidential administrations came and went, programs were added, amended, enhanced and expanded (rarely eliminated or reduced) … all with the intent of providing some vestige of economic security. Disability and benefits for survivors and dependents were added to the social security program in the hope of reducing welfare expenditures. Medicare was added to assist the elderly with healthcare costs. Means tested programs such as food stamps; housing assistance, income security payments, and Medicaid were added as programs to help the poor. All the while, due to changing social patterns, industrial advancements and other factors, social expenditures escalated … both due to expanding eligibility and benefit enhancements.

So have our entitlement and welfare efforts to provide economic security been effective? It is hard to say because, in addition to benefit programs, there are so many variables in the equation including age, economic prosperity and employment opportunities. It is impossible to isolate one particular variable.

With that understanding, as measured purely by statistics, the poverty rate has increased from 12% in 1970 to 15% in 2011. Transfer payments increased from 10% in of GDP in 1990 to 15% in 2009. **5** One could ask herself why an increasingly prosperous country can't control the growth of its entitlement and welfare spending. Theoretically, shouldn't prosperity DECREASE those needs?

To quote a local service provider "more money doesn't necessarily mean better programs."

Believing that we truly need a safety net for those who can't support themselves, the question becomes, is our net too widely cast?

I would like to take a minute to talk about means-tested welfare programs … programs which are available to people who meet certain income eligibility requirements. Then I will talk about social security, Medicare and benefits provided via the Internal Revenue Code.

Medicaid, food stamps, TANF, and Earned Income Tax Credit are several of the more than 80 means tested programs that make up our welfare safety-net. In the second quarter of 2011, recipients of one or more means tested programs averaged an astounding 107 million people or about 35% of the population.[6]

Mandatory outlays for the means-tested assistance programs, both state and federal, totaled about $957 billion in 2011 according to the Office of Management and Budget, and are expected to rise to almost $1.3 trillion by 2017. [7]

Medicaid is the most costly of all the means tested programs. Assisting about 54 million people in 2010, total outlays for the Medicaid program were $404 billion, increasing 6% in one year. By 2020, with the implementation of the Affordable Care Act, costs are expected to more than double and enrollment will be close to 85 million people. [8] Expenses will continue to escalate due to the increasingly high cost of healthcare. As it now stands, Medicaid is chiefly for children but states may have the option of adding qualifying adults to the program. With so many lacking access to quality care, this surely is the most pressing welfare issue of the time. As with all things, it is a cost/benefit issue that many of us are having a hard time grasping. The uncertainty of what provisions of the Affordable Care Act will be implemented, adds to the concern. But no matter what, it is clear that program expenditures will soar … regardless of what happens with the Affordable Care Act.

Another means tested program, the SNAP program, commonly referred to as food stamps, provided benefits to an estimated 45 million people at a total cost of $75 billion in 2011. 9

Although federally funded, states administer the program and have some flexibility in how it is run. There are federal income limits, up to 130% of the poverty threshold, but states have great latitude in developing their own income limits. The Census Bureau reported that if SNAP benefits were included in the official measurement of poverty (which they are not), the program would have lifted 4 million people to above the poverty threshold. 10

Participation in the program has skyrocketed in recent years increasing 26%

between pre-recession 2006 through 2009. Logic would dictate that as we come through the recession, SNAP participants would decline. However, that is not the case as recipients have increased 33% since 2009 and now reach almost 1 in 7 Americans. Some of that is due to the continuing high levels of unemployment and some is due to changes in the program that expanded benefits. The expected significant rise in the cost of many foods due to the drought this summer will certainly contribute to increasing program costs which the Congressional Budget Office predicts will begin to level out in 2022.[9]

Every Friday, a program called *Blessings in a Backpack* provides book bags filled with donated food to children in need so that they have something to eat over the weekend. My daughter went to South Wayne Elementary School several years ago to help stuff the bags. In the car on the way home she was very quiet. Finally she said, “Mom, was that all the food they will eat until Monday?” I said for many of them yes. She was quiet again. Several minutes later she looked at me and said, as only a child could say it, “Mom, Tom eats that much food for a snack.”

This is clearly a critical safety net program. But, it raises the question, “In a nation as prosperous as ours, how could 1/7 Americans be hungry?” Is this a program where the net has been cast too broadly?

Another important welfare program for families with children is TANF (Temporary Assistance to Needy Families) which replaced Aid to Families with Dependent Children with the Clinton reforms in 1996. TANF is a block grant program to help move recipients into work and turn welfare into a program of temporary assistance.

The creation of TANF by the Clinton administration was in response to a cry for the reduction of soaring welfare payments under AFDC. It was hoped that placing time limits on the receipt of benefits and imposing strict work requirements would get people off welfare and into the workforce.

And if reducing the number of benefit recipients is a measure of its success, it HAS been successful.

In 1997, there were 10 million recipients. 11

In 2009 there were 4 million … a 60% drop. 12

Over 48% of those receiving benefits in 2009 were children.13

While some view these numbers as proof of the success of the program, others say that it just took people off the benefit roles but not out of poverty.

According to the Center on Budget and Policy Priorities, in 1994, when it was still AFDC, cash aid was provided to 68% of families with children in poverty. By 2010 that figure had dropped to 27%. 14

One of the biggest criticisms of TANF is that its annual federal block grant funding is fixed so funding doesn't increase when needs increase. States simply cut benefits or tighten eligibility requirements. Work requirements can become more stringent and can be devastating when the labor market is weak and jobs are in short supply. Benefits can be cut off even if every effort is being made to find a job. 14

Local social services providers told me this: The vast majority of recipients are single mothers. The program, as with so many welfare programs past and present, ignores the structural cause of poverty. It may provide job training for good jobs but no good jobs may be available. If they DO find a job, it is typically part time, minimum wage, with an unstructured schedule, which makes it difficult and expensive to find child care. There is very little leeway for sick children. If you miss more than a day or two of work for a sick child, you are oftentimes fired. Many of these women have little alternative to leaving children home alone while they are at work. Yet, then they run the risk of having their children taken from them.

Many of them may qualify for subsidized housing but there can be a long wait … maybe up to two years. In the meantime, they must pay market rent. Or, they are homeless.

They said that while well intentioned, the program is not providing adequate help….or maybe the RIGHT kind of help. Training and assistance with finding **sustainable** jobs and adequate childcare is needed to help these women pull themselves out of poverty.

The Earned Income Tax Credit (EITC) was created in 1975 to benefit the working poor with children. It provides a refundable tax credit to those meeting its criteria. Eligibility has been enhanced and expanded over the years and it is now considered one of the largest income transfer programs.

On its website, the IRS describes the EITC as a financial boost for working people in a recovering economy. Its advertisement suggests that anyone with earnings under $49,078 should see if they are eligible. 15, 16

I have set on the table the IRS advertisement for EITC. Because that income threshold seemed high to me, I asked a social worker to provide me with conservative expense data for a client family of 5 with an income of $49,000. When you examine their monthly expenses, the $49,000 doesn't seem high any more.

The IRS claims that in 2010 the EITC lifted 6.6 million people out of poverty: half which were children. 17 The Census Bureau claimed that the program was the most effective anti-poverty program. With the anticipated improvement in employment, EITC costs are expected to slowly decrease. Unless, of course, the credit is increased and/or eligibility is expanded as has been the pattern.

The Center on Budget and Policy Priorities reported a study done that shows that "more than 90% of the benefit dollars that entitlement and other mandatory programs spend go to assist people who are elderly, seriously disabled or members of working households." … not to people who can work but don't. 18 This is not surprising as the elderly are becoming a larger share of our population and they are gaining Medicare benefits as well as retirement. In addition, assistance programs are increasingly more "work-related" so benefits are being directed to people who work but are receiving insufficient income.

An important criteria in determining program eligibility is the poverty threshold. The Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is in poverty. If a family's total income is less than the family's threshold, then that family and everyone in it is considered in poverty.37 The federal government often sets a maximum income eligibility, typically 130% of the poverty threshold. In some programs, states can establish their own income guidelines. The Kaiser Foundation reports that Medicaid, in providing healthcare for children, varies from a high of 425% of poverty in New York, to 165% in North Dakota. Recognizing that these are the extremes, over half the states have maximum income levels of 250% of poverty. [19]

David Armor and Sonia Sousa reported in National Affairs that based on US Census Data, it is this eligibility and benefit expansion that has caused the escalation in means-tested program expenditures. The study reports that “today, more than half of the benefits allocated through programs we think of as “anti-poverty” efforts actually go to people above the poverty line.” To use food stamps as an example, of the 45 million people receiving food stamps, 8 million recipients have incomes that are greater than 200% of poverty. [20] The safety net, according to the authors, has been cast way wide. Are we giving away too much … taking away incentives for people to provide for themselves?

Measuring the success of the means tested programs, in terms of addressing poverty, has been somewhat controversial. In defining poverty, the US Census Bureau includes only “money” income thus excluding the effects of taxes paid and tax credits such as the Earned Income Tax Credit and the value of non-cash assistance such as food stamps, Medicaid, public housing and employer provided benefits. This is problematic because, by only measuring money income, the values of the non-cash programs, which contribute to well- being and poverty alleviation, are not considered. How then can we possibly measure outcomes to determine if our efforts have been successful?

Recognizing that there is incomplete data, the Census Bureau has helped develop the Supplemental Poverty Measure or the SPM, to get a better understanding of poverty and program recipients. The SPM includes non-cash assistance, tax credits and accounts for certain household expenditures and resources. [21] Although it will not be used for the official poverty calculations, it will enhance understanding of the effectiveness of various programs. Perhaps then resources can be dedicated to the people that really need the help with programs that have the most impact. [21]

Originally, my paper was to stop here … talking only about welfare entitlements. But the fact is, we can't talk about entitlements without talking about those programs that benefit middle and upper class Americans.

Social security and Medicare are two of the most costly entitlement programs. Because of the aging of our society and thus the expanded number of those eligible for both programs, costs are soaring.

In 2011, Medicare benefited 46 million people or 16% of our population. Between 2000 and 2011, outlays increased 135% to $560 billion. [22]

Like social security, it is sacrosanct to those over 65. During Medicare debates in 1963, citing a University of Michigan report on income, Representative Thomas Curtis asked why the government should subsidize medical benefits of 100% of those over 65 when only 13 % of them had below average income. Representative Huey Long asked why the government should pay for healthcare for those earning $1,000,000. 23

Interesting questions.

But however you answer those questions, there is no getting around the fact that Medicare is a very costly entitlement program. If we are going to examine our entitlement culture and spending, the Medicare program should be included.

To quote author Doug Banbow, "Although Social Security has long been viewed as the "third rail" of American politics --- touch it and die--- it is better seen as a symbol of America's entitlement culture … Indeed it may have become the third rail on both directions. Touch it and you die politically. Don't touch it and you die economically." 24

Social security outlays have increased 69% since 2001 to $725 billion in 2011, benefiting over 55 million people. 25

The social security problem is widely acknowledged. Receipts into the system are shrinking and benefits are ballooning. People are living longer and fewer workers are paying into the system. And, despite it being viewed by many as an "investment program", it is a pay as you go system … meaning that today's workers are paying today's benefit recipients. In 1950 there were 16 workers for every retiree. Today we have only 3 and that is not expected to change any time soon. 26

To continue on this benefit trajectory is impossible without taxing the workers to death or reducing and delaying benefits to the retirees. But because so many of us are either receiving payments or anticipating their receipt very soon, we feel entitled to our expected benefits … even though we know the system is unsustainable.

According to the Congressional Budget Office, in calendar year 2010, annual outlays for the program exceeded annual revenues (excluding interest earned). The CBO projects that the gap will continue. As more members of the baby-boom generation enter retirement, outlays will increase relative to the size of the economy. Tax revenues will stay relatively constant. As a result, the shortfall will begin to grow around 2017. At this rate, if DI and OASI trust funds were combined they would be exhausted in 2038. 27

As economist Herb Stein once said "If something cannot go on forever, it will stop." 28

Our entitlements are costing our young workers from whom the benefit payments are being taken. As stated by the Brookings Institute, “Any society that invests in its old at the expense of its young does not have much of a future.” 29

One of the largest entitlements is the tax expenditure which includes any reductions in income taxes due to exclusions, tax credits, deductions and preferential tax rates as for capital gains and dividends.

According to the Joint Committee On Taxation. “Tax expenditures are similar to those direct spending programs that are available as entitlements to those who meet the statutory criteria.” 30

They are not very easy to find in the budget nor are they reauthorized annually so they don’t oftentimes get much attention. They are much less transparent than spending on entitlement programs. Because of the way they are accounted for, they are not considered spending but tax breaks. It clearly is easier to enact social policy through tax expenditures than direct outlays.

The budgetary impact is huge … over $1.2 trillion dollars in fiscal 2011. 31

In its Budget and Economic Outlook: Fiscal 2012 – 2022, the Congressional Budget Office estimates that certain major tax expenditures in the **individual** income tax code will total nearly $12 trillion over the 2013 – 2022 period. In 2012 alone, they are projected to cost over $800 billion. To put that into some kind of perspective, that is equal to about 1/3 of federal revenues projected for 2012 and greater than projected spending on social security, Medicare or defense. 32

By far, the largest is the exclusion of employers' contributions for healthcare premiums and benefits. Reduced rates on dividends and long term capitals gains are significant as are the deductions for mortgage interest and charitable contributions of which 75% of the benefits go to those earning over $100,000. 33

Think of this, if individual tax expenditures were cut in half, over $5 trillion would be cut from our deficit in the next 10 years. Tax expenditures or entitlements for those in higher tax brackets are very significant and costly programs and they need to be included any discussion of American entitlement policies. 34

In conclusion, it can safely be said, I believe, that governments' role in welfare and entitlements is not what our founding fathers anticipated. On the other hand, society is not at all what they would have expected either. Not everyone can find and keep a job that pays enough to support a family. Many families are caught in a cycle of welfare dependency and some HAVE to be dependent because they are unable to care for themselves. Social security and Medicare benefits have been expanded within a payment system that can't sustain them. Healthcare costs are escalating. And we are aging. It's a perfect storm. As a result, mandatory social expenditures have continued to increase and we can't seem to get a handle on their growth.

Has our safety net become too big?

As author William Voegeli points out "… all the bitter accusations about the insufficiency of our social programs must point to a criterion of sufficiency, defining a completely adequate welfare state." 35

If we can't define our goals for success, how do we know when we have reached them? How do we set realistic limits?

Are we fostering dependency? But, how do we know where true need stops and dependency and entitlement begin?

Can social security and Medicare be realigned with the economic and demographic realities of today?

Knowing that there are implications to social policy, can we continue with all of the tax expenditures that benefit only the higher earning Americans when that forgone revenue is so desperately needed?

I believe that we ARE an entitled society … and we are all part of the culture … from those who live way below the poverty line to those who are the top 1% of income earners.

The government can't be all things to all people. Not all needs can be met without bankrupting our nation's soul and its budget. It is up to us to decide what balance we must strike.