

Policy Focus

Welfare and Charity: Two Different Things

RECIPES FOR RATIONAL GOVERNMENT FROM THE INDEPENDENT WOMEN'S FORUM

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IN THIS ISSUE

What You Need to Know 1

Why You Should Care 2

More Information

The Broken Incentive Structure 2

The Cost: in Dollars 3

The Cost: in Dignity 4

What the Safety Net Was Meant to Be 4

Making Poor People Into Rich People 5

Private Charity 5

What You Can Do 6

WHAT YOU NEED TO KNOW

It's the season for giving. As we approach the holidays, Americans offer special gifts to people we love, and charitable gifts to people in need. About half of all private charitable contributions are made between Thanksgiving and New Year's.

Although Americans are generous compared to other nations and have created a robust network of private charities, government still offers a substantial, taxpayer-supported social safety net. Today, there are more than [70 federal means-tested welfare programs](#), which cost more than \$900 billion in 2011, including state spending.

Still, we haven't solved the problem. [Forty-nine million Americans](#) are currently considered impoverished. Our nation's political rhetoric sounds increasingly like class warfare, as the public debates how to address our many challenges, including our nation's looming debt crisis, the flagging economy, and hardship faced by millions of out-of-work Americans.

Advocates of expanding the welfare state equate bigger government with humanitarianism, or charity. But many programs do more harm than good by creating counter-productive incentives and reducing economic growth and opportunity, which sadly keeps today's poor people poor.

This Christmas season, we can give a helping hand to the millions of Americans who rely on federal assistance by reforming and shrinking the welfare state. The best gift we can give Americans of all social classes is greater opportunity to succeed.

WHY YOU SHOULD CARE

There are many reasons why we should reform our welfare system:

- **The Current System Encourages Poverty:**

Although no one wants to be poor, many Americans make a subconscious or conscious decision not to work because they know they can rely on government handouts. This keeps poor people from moving up on the social ladder and realizing their potential.

- **Reform Would Lower Government Spending:**

The main beneficiaries of today's welfare state are the federal government agents who run the programs. Streamlining the welfare state could save money and focus aid on the people who are truly in need.

- **Reform Would Boost Our Economy:** Reforming welfare would create better economic opportunities, especially for Americans at the bottom of the socio-economic scale, and encourage more economically-productive behavior.

- **Reform Would Restore the Social Safety Net:**

Support programs are not meant to be a permanent part of recipients' lives, but only a temporary measure during unanticipated tough times that allow people to regain self-sufficiency.

The United States is among the wealthiest countries in the world. The best way to share or spread that wealth isn't welfare, or even charity. It is the many opportunities for free exchange and wealth creation that the free market provides.

MORE INFORMATION

The Broken Incentive Structure

Social mobility is part of our country's DNA. In fact, many well-off Americans can look back in their family's history and find ancestors who started with few resources and climbed up the social ladder.

While most Americans never amass huge sums of wealth, our economic system has generally provided the opportunity to achieve better standards of living than the previous generation.

The core belief that hard work and prudent decision-making is the key to a better life has fueled our rising living standards, as well as centuries of innovation, as workers compete to find better products and methods of delivering needed services.

Today, our too-big welfare state throws a wrench in this incentive structure. Instead of offering poor Americans with the basic choice between productive hard work and nonproductive hardship, the welfare state rewards nonproductive behavior and makes it a more attractive option than it should be.

Americans don't want needy neighbors to go without food or life's basic necessities. Americans want to help those who cannot help themselves. However, today, government assistance goes far beyond helping the truly unfortunate, and has become a fixture in too many Americans' lives who should be

expected to provide for themselves. Consider that today [more than 45 million Americans](#) receive food stamps. That's nearly 15 percent of the population.

While some receiving assistance may truly not be able to find gainful employment, others are making a rational, though short-sighted, decision. In many cases, the wages that low-skilled, entry-level workers could earn are less than government assistance programs provide. And working is often less enjoyable than not working. But in the long run, undesirable minimum-wage jobs are necessary first steps toward earning more, achieving financial independence, and climbing up the economic ladder.

And in fact, government-support programs can discourage people from finding and accepting gainful employment. [For example, research has shown](#) that, on average, a one-week extension of unemployment benefits is associated with a 0.15-week extension of time unemployed, and exit rates from the unemployment program as benefits come close to expiration.

Americans want support programs like unemployment insurance to help families during a temporary time of hardship. Yet social assistance programs shouldn't allow people to forgo accepting less attractive employment opportunities or adjusting their lifestyle to deal with the new reality of a reduced budget.

The federal government as well as states and localities should consider how to reform welfare assistance programs to discourage indolence and focus aid on those who can't provide for themselves.

The Cost: In Dollars

When the economy experiences a recession, it's no surprise that the number of people who are poor and receiving aid increases.

But the welfare system's biggest cost to taxpayers isn't the actual aid provided: it's the bureaucracy that administers those programs.

As [Milton Friedman said in 1970's](#), "Suppose I divide the total amount of money spent on these programs by the number of people labeled poor. The answer comes out to \$9000 per person... Compare this with the average per-capita income of everybody... is \$6500. If that \$9000 per person were really going to the poor, they'd be among the rich!"

Let's update these figures. Our federal government spent nearly \$700 billion on means-tested welfare programs in 2011. States added \$250 billion to that [for a rough total of \\$950 billion](#). Divide that by the 49 million Americans who are poor. That's nearly \$19,400 per person, or \$77,600 for a family of four. That's not quite as high as our average per-capita income today, but it would definitely lift families well above the federal poverty line ([\\$22,350 for a family of four](#)).

But this doesn't happen. Why not? The simple answer is this: Federal, state and local-level bureaucrats must all be paid to administer welfare programs, and these additional costs mean fewer resources go to the people in need. Private charities compete for donations, so they must seek to show donors that they maximize value;

government programs have no such incentive to efficiently use resources.

This is not to mention the opportunity cost of the welfare state. If only half of the people who are today beneficiaries of welfare programs could be converted into self-sufficient, even tax-paying citizens, our budget would benefit enormously. We could half the expenses of government aid and increase revenues at the same time - all without raising tax rates.

The Cost: In Dignity

In addition to the costs these programs and the big-government bureaucracy levy on taxpayers, our current system imposes a heavy social cost on supposed beneficiaries. The welfare state teaches poor people that they are different from middle class and wealthy Americans. Along with each monthly check, it sends the unspoken, unwritten message that beneficiaries are incapable of doing what their self-sufficient compatriots are doing - earning for themselves. That message gets internalized by otherwise capable Americans, and furthers the cycle of poverty. It robs the poor of dignity.

This is the biggest difference between welfare and actual charity, which seeks to encourage the recipient to change behavior to live a healthier, more productive life.

Our welfare state doesn't just discourage work and skill-building, it also facilitates self-destructive behavior and discourages family formation. The [top two reasons cited](#) for entering welfare are divorce

and out-of-wedlock childbirths. In fact, research has shown that early welfare policies that explicitly penalized marriages helped [lead to an explosion of out-of-wedlock births](#), particularly in the [African-American community](#), which has had a devastating impact that persists today.

While we want a system that protects those in need, policymakers should take care not to inadvertently punish married beneficiaries and should recognize that healthy family formation and maintenance is the best preventative measure against poverty.

What the Safety Net Was Meant to Be

The social safety net provided by our federal welfare programs was originally intended to protect the most vulnerable in society: the disabled, widows, orphans, or families who experience unexpected hardship and need temporary aid.

Without reform, this very important function is at risk. Our nation already faces \$15 trillion in public debt, and politicians in Washington fight consistently about how to spend money on the government's too-broad array of activities.

Welfare reform should focus on restoring programs to this original intention so that aid is concentrated on those truly in need, and so that Americans who are able can get back on the path to self-sufficiency.

We've seen successful reforms in welfare before. In the mid-1990's, the U.S. passed the Personal

Responsibility and Work Opportunity Reconciliation Act (PRWORA) that gave states more control in implementing federal welfare programs and imposed stricter requirements that able-bodied beneficiaries seek and find work. This resulted in millions of families exiting the welfare system.

Ronald Reagan once said, “We should measure welfare’s success by how many people leave welfare, not by how many are added.” The reforms of the mid-1990’s were successful by this measure, as the poverty rate dropped from a 25-year high of [15.1 percent in 1993 to 11.3 percent in 2000 \(almost a record low\)](#).

During our current rough economic times, it’s critical we don’t lose sight of these goals and that we prevent the safety net from becoming a trap that keeps able-bodied Americans from the path toward independence.

Making Poor People Into Rich People

The real solution to poverty is economic freedom and opportunity. By removing regulations that discourage job creation, lowering tax rates so that people and companies have more resources to hire workers and invest, and making work pay, we can help reduce poverty by giving individuals the opportunity to earn and provide for themselves.

Welfare reform is an important part of that process. Streamlining our nation’s welfare system would benefit taxpayers by reducing their burden and improve our general economic conditions by reducing our deficits and debt. It would restore the right

incentives toward hard work and productivity. But most importantly, it would allow poor people to become self-sufficient, thereby restoring their personal dignity and giving them greater freedom.

Private Charity

The biggest difference between charity and the welfare state isn’t efficiency or costs. The biggest difference between charity and the welfare state is the holistic approach private charities can take to bettering the lives of individuals.

Typically, there’s very little interaction between the welfare state and the poor besides food stamps or checks sent in the mail. Real charity means loving people, knowing their names, their hurts and their hopes.

If beneficiaries don’t know who is helping them, they might assume that money can just be printed. They may not know or understand where the money comes from. They may not know that the government has to take from someone else to give to them. They may not consider how they can permanently improve their lives and become self-sufficient.

This, rather than making Americans feel more loving toward their neighbors in need, actually causes them to become more callous, as Americans begin to view non-taxpayers as a burden.

Furthermore, the existence of such a gargantuan government welfare system discourages private charity or neighborly assistance since many assume that it’s government’s job—rather than ours—to help those in need. So in this way, the welfare state sadly fuels class warfare, and crowds out private charity, which would actually be more efficient, more personal, more loving and, ultimately, more effective.

WHAT YOU CAN DO

You can help encourage welfare reform in our country!

- **Get Informed:** Learn more about welfare reform and economic freedom. Visit:
 - The Independent Women's Forum (www.iwf.org)
 - Center for Urban Renewal and Education (www.urbancure.org)
 - The Heritage Foundation (www.heritage.org/issues/poverty-and-inequality)
- **Talk to Your Friends:** Help your friends and family understand these important issues. Tell them about what's going on and encourage them to join you in getting involved.

● **Become a Leader in the Community:**

Get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

● **Remain Engaged Politically:** Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you

ABOUT THE INDEPENDENT WOMEN'S FORUM

The Independent Women's Forum (IWF) is dedicated to building support for free markets, limited government, and individual responsibility.

IWF, a non-partisan, 501(c)(3) research and educational institution, seeks to combat the too-common presumption that women want and benefit from big government, and build awareness of the ways that women are better served by greater economic freedom. By aggressively seeking earned media, providing easy-to-read, timely publications and commentary, and reaching out to the public, we seek to cultivate support for these important principles and encourage women to join us in working to return the country to limited, Constitutional government.

We rely on the support of people like you! Please visit us on our website www.iwf.org to get more information and consider making a donation to IWF.

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