

# Policy Focus

## Dependency on Government

RECIPES FOR RATIONAL GOVERNMENT FROM THE INDEPENDENT WOMEN'S FORUM

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### WHAT YOU NEED TO KNOW

Americans want a safety net for those in need. Yet increasingly, government programs are not providing short-term assistance to a small population that is struggling to endure hardship. Instead government aid programs are becoming a regular source of income for average American families.

The rolls of those receiving government assistance, including Social Security disability benefits, food stamps, Medicaid, housing and welfare payments, has ballooned during the last decade. As the number of those receiving benefits has climbed, so have the programs' costs. Those high costs means that these programs require an increasing portion of federal, state, and local budgets, and are a growing burden on taxpayers.

In an era of trillion-dollar federal government deficits, in which states and localities faces their own budget crunches, many of our social welfare programs are on an unsustainable course. In the future, absent reform, these programs may no longer be available to the people who really need them.

Americans should also consider what this trend of growing dependency on the state means for citizens in terms of creating incentives for hard work and thrift. Programs that discourage people from taking entry-level, skill-building jobs can become an impediment to climbing the economic ladder toward independence and greater personal fulfillment. Americans should seek to reform these programs so they serve as a true safety net, but do not discourage the independence, ingenuity and innovation that have been our country's greatest assets.

## WHY YOU SHOULD CARE

**A**mericans should be concerned about the growing rolls of government programs:

- **Higher Costs:** More beneficiaries mean higher costs for these aid programs. Unreformed, they will require more and more tax dollars, creating a burden on workers and the economy.
- **Pressure on Budgets:** The growing costs of these programs also place pressure on government budgets. With federal annual deficits of greater than one trillion dollars (and a \$16 trillion national debt), and many states and localities struggling to make ends meet, aid programs need to be streamlined to support those who truly need them, rather than encouraging lasting dependency and waste.
- **Creating Dependency:** Americans want to be able to stand on their own and support their families. Yet once people become accustomed to depending on assistance, it becomes harder to take the steps necessary to achieve independence. Discouraging skill-building and the pursuit of entry level jobs hurts people's long-term prospects, encouraging a life of dependency and diminished expectations.

Americans want and deserve the opportunity to do more than just make it, they deserve to thrive and prosper.

## MORE INFORMATION

# Our Many Forms of Government Assistance

**N**umerous government programs provide Americans with support for basic needs, including food, housing, health care and other expenses. Across the board, the number of Americans making use of these programs has been growing, and not surprisingly, so have the programs' costs. To follow is an overview of some of the government's biggest need-based support programs.

### *Social Security Disability Programs*

The Social Security Disability program provides financial support to workers who are unable to work due to disability.

The number of Americans receiving Social Security Disability Insurance (SSDI) payments—which average [\\$1,111 per month for disabled workers](#)—has increased substantially in recent years, from 9.3 million in January 2009 to [10.8 million Americans today](#). As the number of enrollees has climbed, so has SSDI spending. In 2011, payments through SSDI totaled nearly \$129 billion.

That's a lot of money, even by Washington's standards. For some perspective, the federal Department of Transportation spent far less (\$77 billion), and the entire Department of Labor used

roughly the same budget (\$132 billion). Yet SSDI's official price tag dramatically understates the real costs associated with SSDI determinations, since those who qualify for disability payments automatically become eligible for Medicare after two years. [According to Dr. Andrew Biggs of the American Enterprise Institute](#), Medicare's annual expenditures on SSDI beneficiaries now exceed \$70 billion.

The disability program was created not only to help those in need but also to "rehabilitate the disabled so that they may return to useful employment." Sadly, the program is failing on that last measure: just 6.1 percent of those who left SSDI in 2011 did so because they returned to work. Most people who are awarded disability payments will receive this government support until their death or until they reach retirement age and begin to instead receive monthly checks from Social Security's retirement program.

### *Food Stamps*

Participation in the Supplemental Nutrition Assistance Program (SNAP)—which is the program that has replaced previous "food stamp" efforts—reached [46.7 million Americans](#) in June 2012. That means that today about [one in every seven](#) Americans is receiving government aid to buy food. Enrollment was about 32 million in January 2009, so this recent growth represents an increase of more than 45 percent.

The average food stamp benefit is \$133 per person per month. The bill for this program for the government was more than [\\$75 billion](#) in 2011, and spending will exceed that mark for 2012.

Like other assistance programs, food stamp programs are vulnerable to abuse. Rather than using the vouchers for eligible food products, aid recipients can turn their assistance vouchers over to retailers in exchange for cash or goods that are ineligible for purchase through the government program, such as cigarettes and alcohol. [Reports](#) suggest that between one and [three percent](#) of food stamp spending is fraudulent.

### *Medicaid*

Medicaid is a federal-state partnership to provide health insurance to low-income Americans and other qualifying groups. For years, Medicaid's enrollment and costs have been steadily increasing, creating a significant burden on state budgets, as well as on the federal government.

The Centers for Medicare and Medicaid Services, which provides regular updates on the status of Medicaid, estimated that in [2007](#) average Medicaid enrollment was 49.1 million, and total spending on Medicaid was \$333.2 billion. CMS estimated that by [2011](#), 56.1 million Americans received Medicaid and spending had grown to \$432 billion. That's a nearly 30 percent increase in spending in just four years.

The trend of higher enrollment and higher costs is expected to continue. As the new health

law goes into effect, an additional 10 to 11 million Americans are expected to gain insurance through the Medicaid system. In total, CMS estimates that 85.1 million Americans will be enrolled in Medicaid and government spending on that program will more than double to \$871 billion by 2020.

### *Housing*

The federal government has 33 programs related to housing, according to the [Cato Institute](#), which are administered by four different cabinet agencies. That there are so many different programs dedicated to helping people have a place to live suggests there is a lot of waste and duplication and government efforts could be streamlined to provide more effective, efficient support.

The largest government housing support program for low-income families is the Section 8 Housing vouchers. In total, an estimated 2 million households use these vouchers for a total cost of \$18 billion.

In addition, government has pushed measures that attempt to make housing—including the buying of a home—more affordable for Americans, including those with lower incomes and poor credit ratings. This policy of boosting home ownership by encouraging more lax lending standards was a primary driver of the housing crisis, as many Americans bought more expensive houses than they could afford, and subsequently faced default or mortgages larger than the value of their homes.

While the collapse of the housing market has encouraged many to call for greater government intervention in an attempt to prop up housing prices and prevent foreclosures, it should instead serve as a cautionary tale for the unintended consequences of government's meddling in the market.

### *Welfare*

There are numerous programs—including those discussed previously—that are a part of the government's overall efforts to fight poverty. In fact, the [Cato Institute](#) estimates that in total, the federal government has 126 different programs dedicated to helping those in poverty. When state and local government spending is included, total spending on these programs approaches \$1 trillion or more than \$20,000 per every person living in poverty in American.

However, the traditional vehicle of income support for the poor, or what is commonly called “welfare,” is now the Temporary Assistance to Needy Families (TANF) program. This program today provides support to approximately 4.5 million Americans and costs [\\$21 billion](#).

Notably, since the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, there has been a requirement that states must encourage a portion of TANF recipients to work as a condition for receiving aid. This measure is credited with encouraging skill-building and enabling millions to leave welfare rolls. However, the Administration is expanding exceptions to that

work requirement, which analysts suggest will lead to another expansion of enrollment in welfare.

## Dependency—Not Money—Is the Biggest Problem with Exploding Aid Programs

Americans overwhelmingly support the concept of having a safety net to help those who are in need or who cannot provide for themselves. Yet the growth of these programs is concerning.

Those familiar with our significant financial challenges—annual federal deficits in excess of \$1 trillion, a \$16 trillion national debt, and numerous states that are struggling to meet expenses—would note the high and growing costs of these programs. Indeed, Americans paying taxes will find that a growing portion of their earnings is being collected by government and transferred to other Americans who depend on government for basic support.

Yet the budget implications, while important, are not the most troubling aspect of our swelling aid programs. More fundamentally, these programs discourage behaviors critical to long-term prosperity. Americans reliant on aid in perpetuity are less likely to take steps to move up the economic ladder. First jobs are often relatively low-paid. However, they are crucial for gaining skills and work experience that lead to future, better-paid positions. Aid programs often make it unnecessary, or even counter-productive in terms of the short-term family budget, to take entry-level positions. Failing to take such positive steps may ultimately drive down future earnings and life prospects.

Government initiatives also crowd out private aid initiatives, which tend to be more personal and likely to address the unique circumstances and challenges of the recipient.

## A True Safety Net to Encourage Independence

Americans overwhelmingly do not wish to have to depend on government programs for basic support. That's why it's important that policymakers focus on reforming aid programs so that they provide temporary assistance to those in need, but that do not create incentives for long-term dependency.

### Fraud and Abuse Is a Problem

It's troubling that so many Americans depend on the government for basic support, but it's even more concerning that these programs are frequently abused.

For example, a [new investigative report](#) by Senator Tom Coburn on the Social Security disability programs examined 300 cases of Americans awarded benefits, and found that more than one quarter received benefits based on “insufficient, contradictory, or incomplete evidence.” This finding confirms the Social Security Administration's internal review showing that 22 percent of disability awards made by Administrative Law Judges had errors and used incomplete evidence.

Eliminating all fraud may be impossible, and reasonable people can disagree about when a case reaches the threshold of complete disability. Yet SS-DI's problems are unmistakable: Senator Coburn's report notes that one judge in Oklahoma City decided 5,400 cases in three years, approving more than 90 percent of them, and granting what will amount to more than \$1.6 billion in lifetime federal benefits.

That's a disservice to American taxpayers who finance these programs and to those who truly need and qualify for support.

## WHAT YOU CAN DO

You can help raise awareness about the problem of growing government dependency!

- **Get Informed:** To learn more visit:
  - [Independent Women's Forum](#)
  - [The Heritage Foundation](#)
  - [Senator Coburn's Report](#)
- **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:** 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](http://www.iwf.org) to get more information and consider making a donation to IWF.

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