

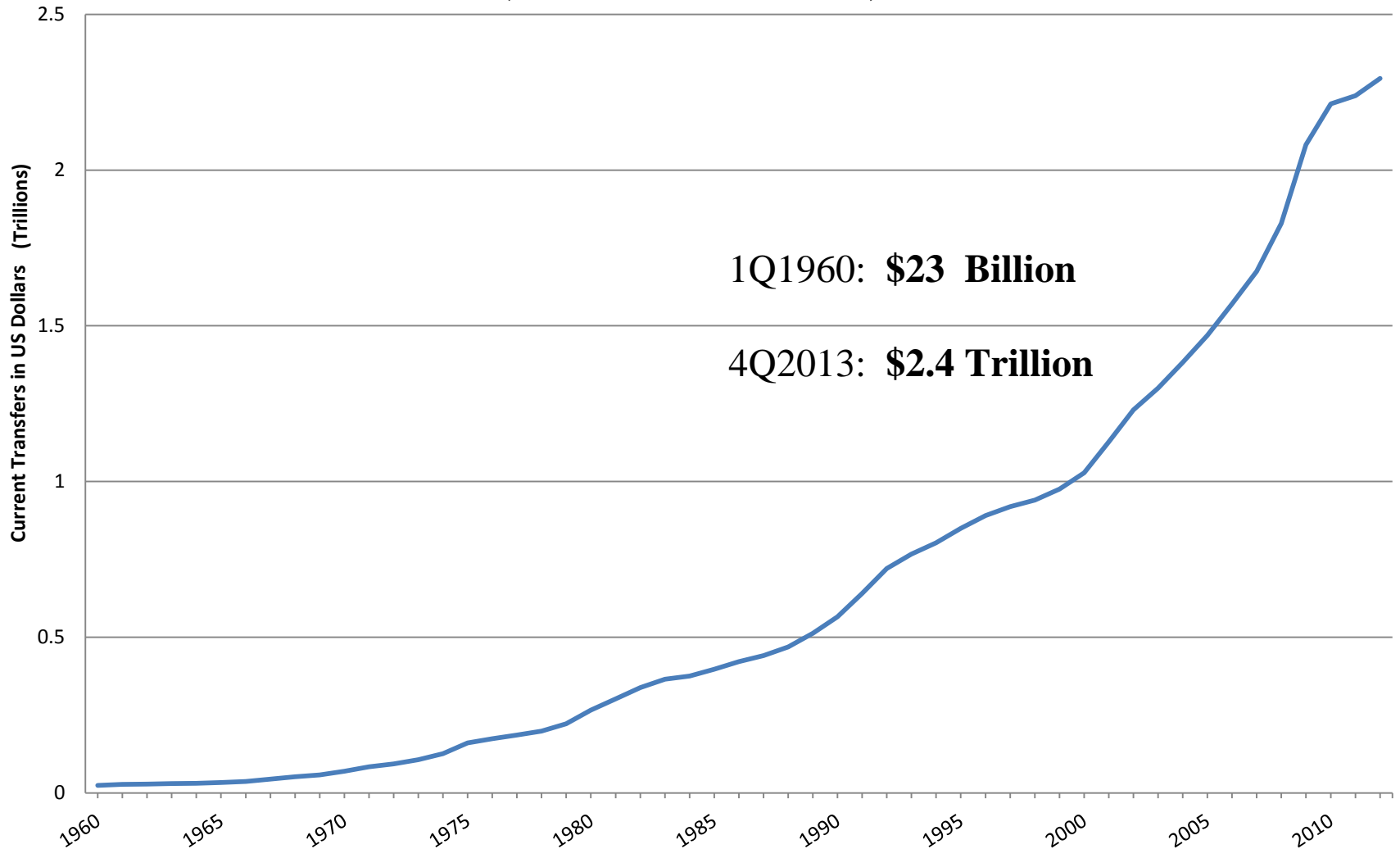
America's Entitlement Epidemic: Dimensions and Implications

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Henry Wendt Chair In Political Economy
American Enterprise Institute
eberstadt@aei.org

Secretaries' Innovation Group
June 27, 2014

The Rise And Rise Of Entitlements

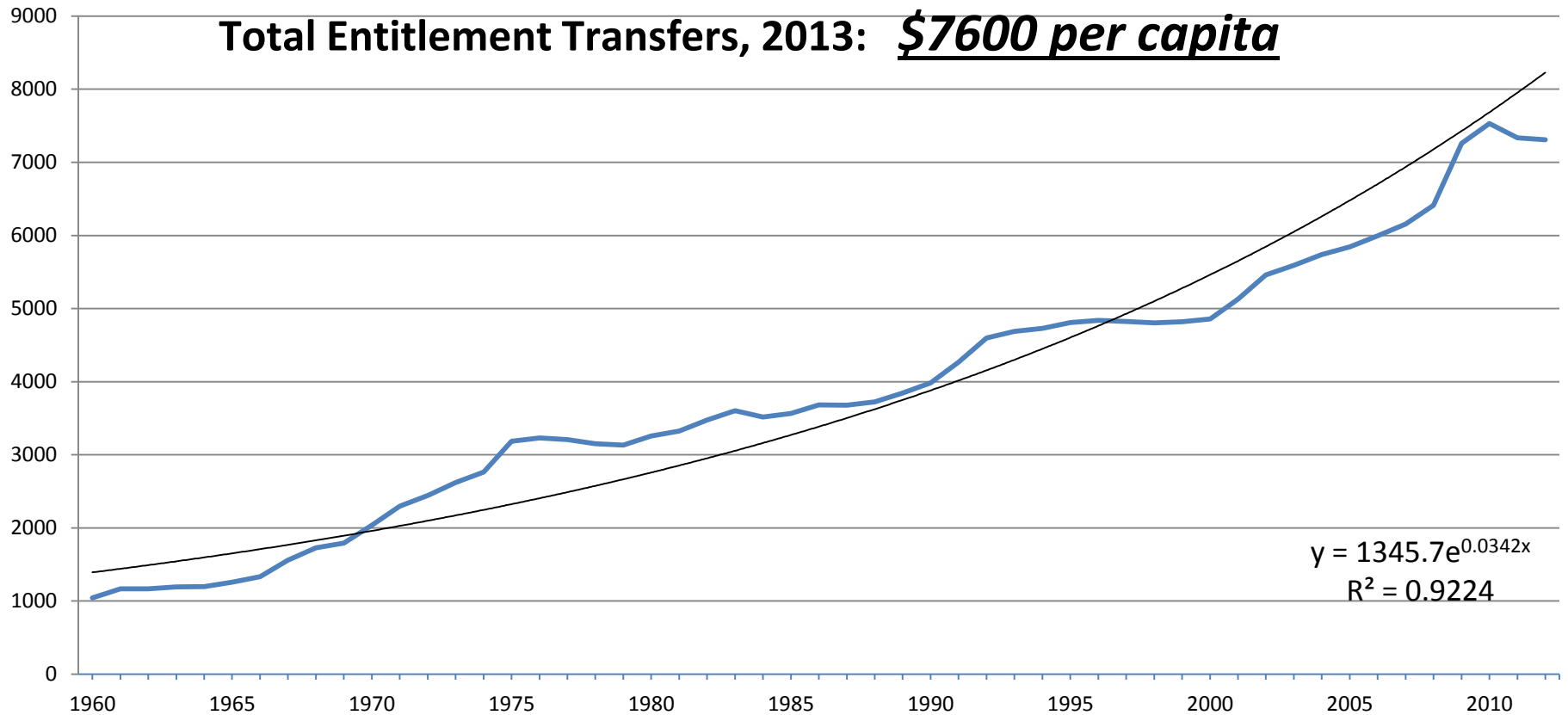
Total Government Transfers to Individuals, 1960-2012
(in trillions of current \$ US)



Source: US Bureau of Economic Analysis, Regional Data, SA35 Personal current transfer receipts,
<http://www.bea.gov/iTable/iTable.cfm?ReqID=70&step=1#reqid=70&step=30&isuri=1&7028=20&7040=-1&7083=Levels&7031=0&7022=7&7023=0&7024=Non-Industry&7025=0&7026=00000&7027=-1&7001=47&7029=7&7090=70&7033=-1> . Accessed November 13, 2013.

Almost Twice As Fast As The Rest of Per Capita Income: For 50 Years

Real Per Capita Government Transfers to Individuals, 1960-2010
(Constant 2012 \$ US)



Note: Derived by author on the basis of data on official transfers, price changes, and population change.

Sources: For Transfers: US Bureau of Economic Analysis, Regional Data, SA35 Personal current transfer receipts,

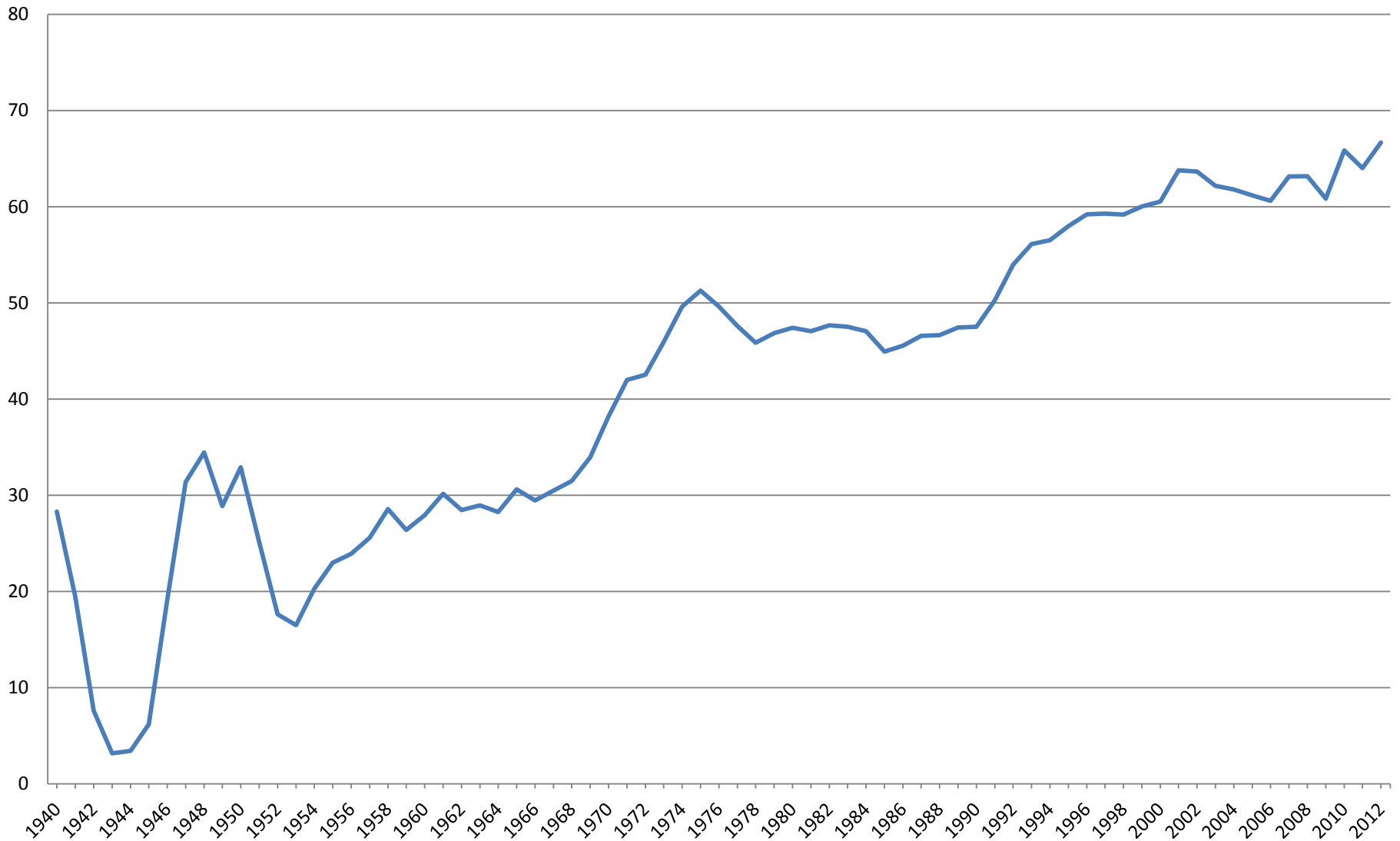
<http://www.bea.gov/iTable/iTable.cfm?ReqID=70&step=1#reqid=70&step=30&isuri=1&7028=20&7040=-1&7083=Levels&7031=0&7022=7&7023=0&7024=Non-Industry&7025=0&7026=00000&7027=-1&7001=47&7029=7&7090=70&7033=-1>. Accessed November 13, 2013;

For Consumer Price Index (CPI): US Department of Labor, Bureau of Labor Statistics, consumer price index. Available at <ftp://ftp.bls.gov/pub/special.requests/cpi/cpi.txt>. Accessed November 13, 2013.

For Population- US Census International Data Base, <http://www.census.gov/population/international/data/idb/informationGateway.php>, Accessed November 13, 2013.

The U.S. Federal Government Becomes An Entitlement Machine

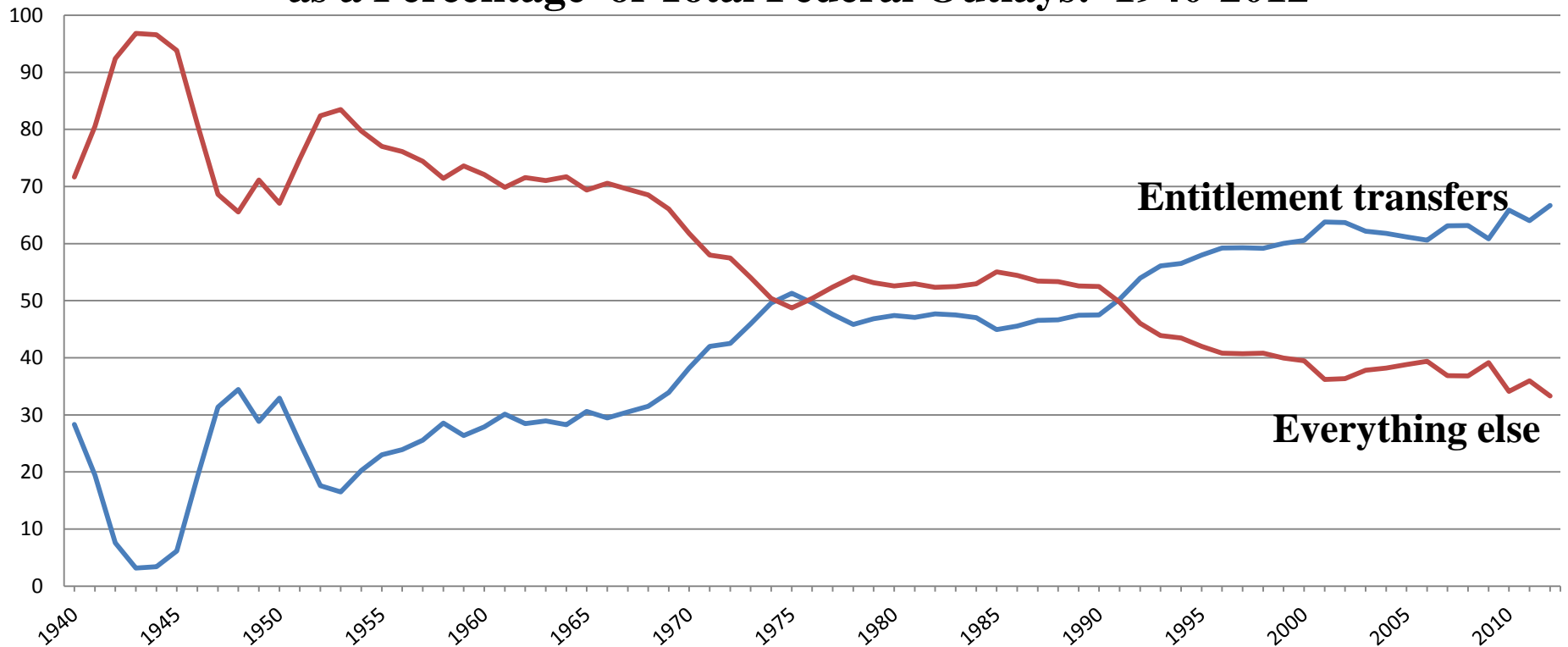
Federal government entitlement transfers as a percent of Federal budget outlays, 1940-2012



Sources: Transfers: Federal government entitlement transfers: Bureau of Economic Analysis, SA35 Personal current transfer receipts, <http://www.bea.gov/iTable/iTableHtml.cfm?reqid=70&step=30&isuri=1&7028=-1&7040=-1&7083=Levels&7031=0&7022=7&7023=0&7024=Non-Industry&7025=0&7026=00000&7027=-1&7001=47&7029=7&7090=70&7033=-1> . Accessed November 13, 2013; and Federal Budget Outlays: White House Fiscal Year 2014 Historical Tables, Table 1.1, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/hist.pdf> , Accessed November 13, 2013.

The Entitled States of America

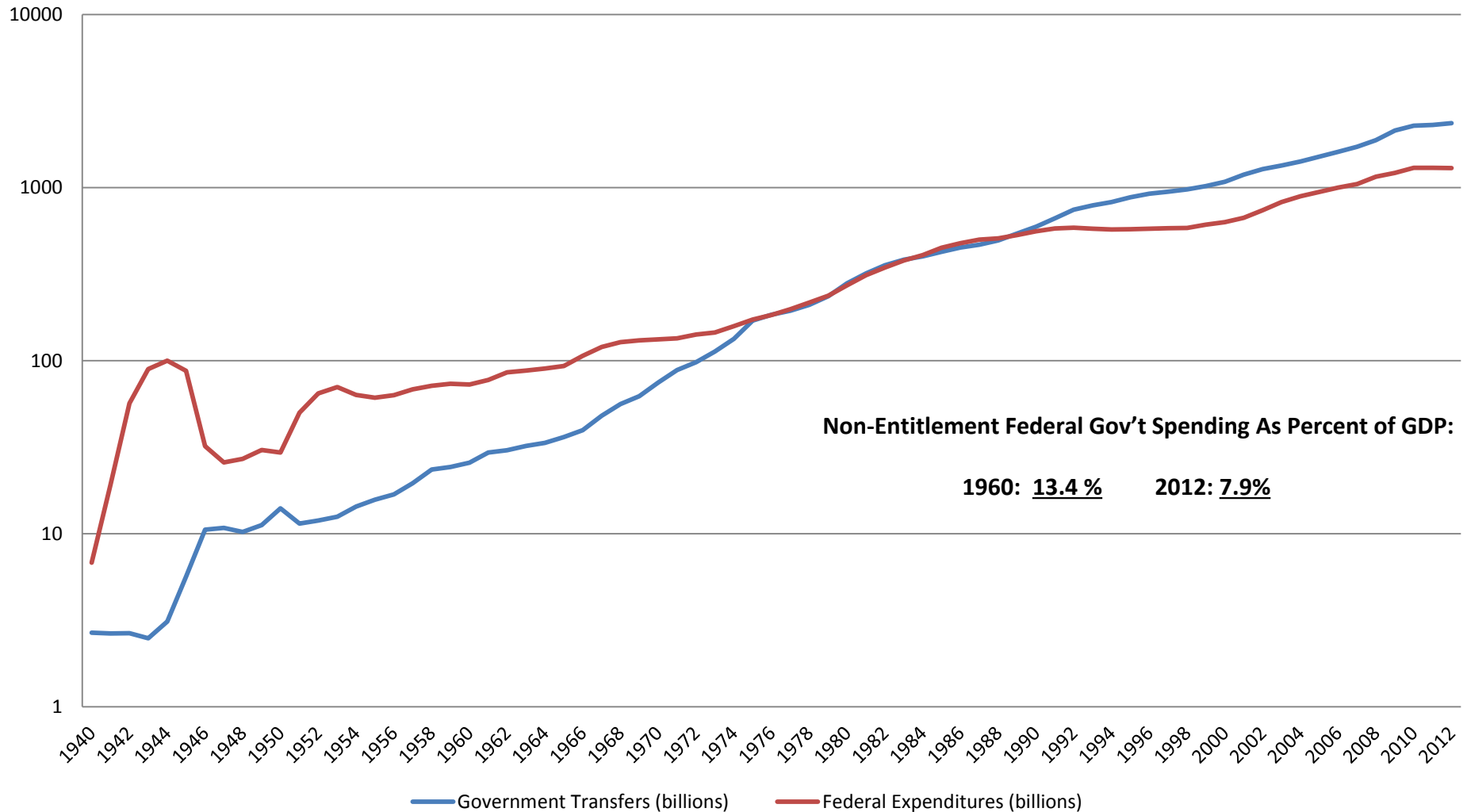
U.S. Federal Government Entitlement Transfers as a Percentage of Total Federal Outlays: 1940-2012



Sources: Transfers: Federal government entitlement transfers: Bureau of Economic Analysis, SA35 Personal current transfer receipts, <http://www.bea.gov/iTable/iTableHtml.cfm?reqid=70&step=30&isuri=1&7028=-1&7040=-1&7083=Levels&7031=0&7022=7&7023=0&7024=Non-Industry&7025=0&7026=00000&7027=-1&7001=47&7029=7&7090=70&7033=-1>. Accessed November 13, 2013; and Federal Budget Outlays: White House Fiscal Year 2014 Historical Tables, Table 1.1, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/hist.pdf>, Accessed November 13, 2013.

Transfers Displaced Everything Else The Federal Government Does In Just Two Generations

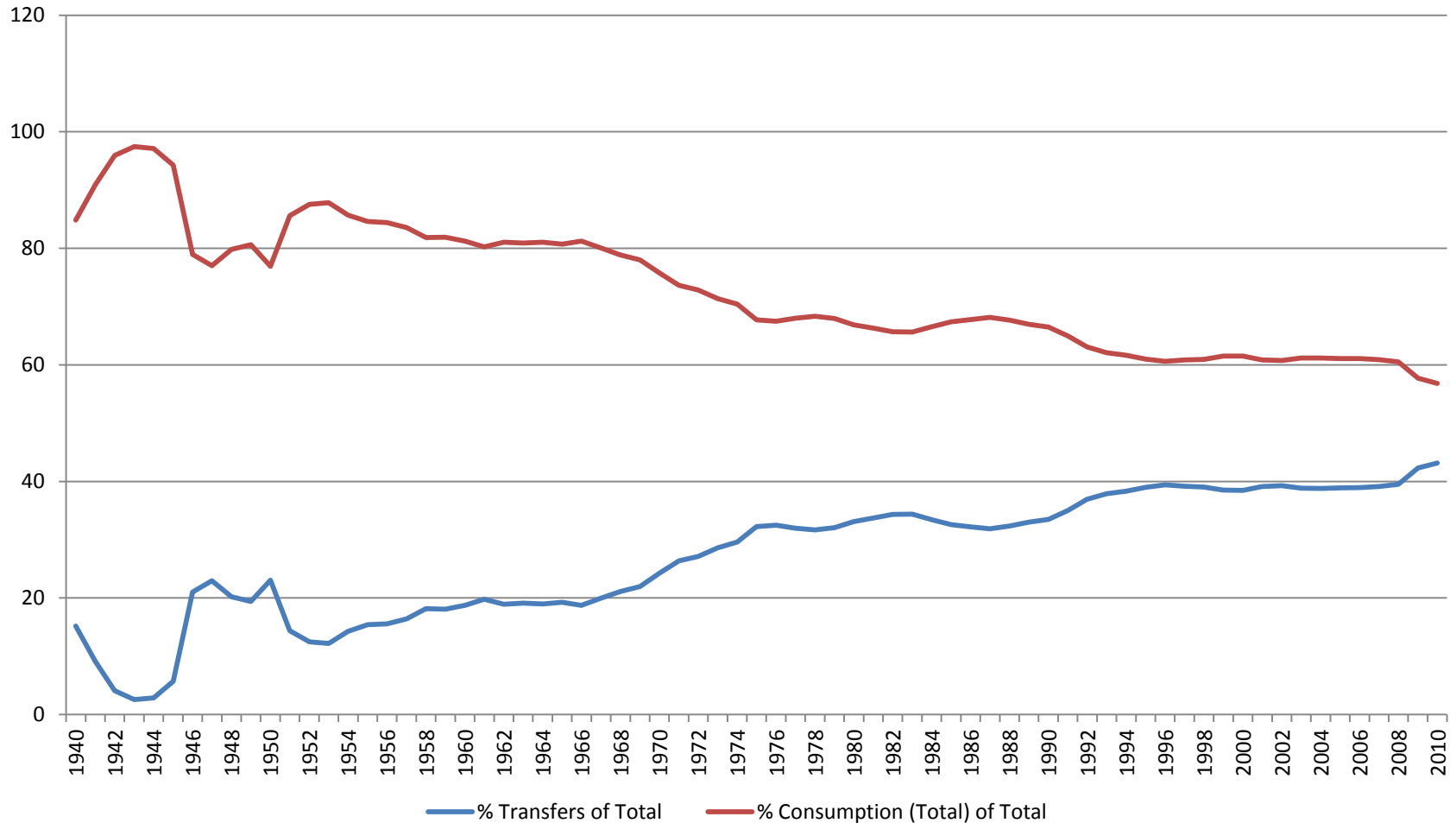
Federal Government Consumption vs. Total Government Entitlement Transfers, 1940-2012 (current US \$ billions)



Sources: Government Entitlement Transfers: Bureau of Economic Analysis, SA35 Personal current transfer receipts, <http://www.bea.gov/iTable/iTableHtml.cfm?reqid=70&step=30&isuri=1&7028=-1&7040=-1&7083=Levels&7031=0&7022=7&7023=0&7024=Non-Industry&7025=0&7026=00000&7027=-1&7001=47&7029=7&7090=70&7033=-1> . Accessed November 13, 2013; Federal Government Consumption: <http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&903=5> , Accessed November 13, 2013.

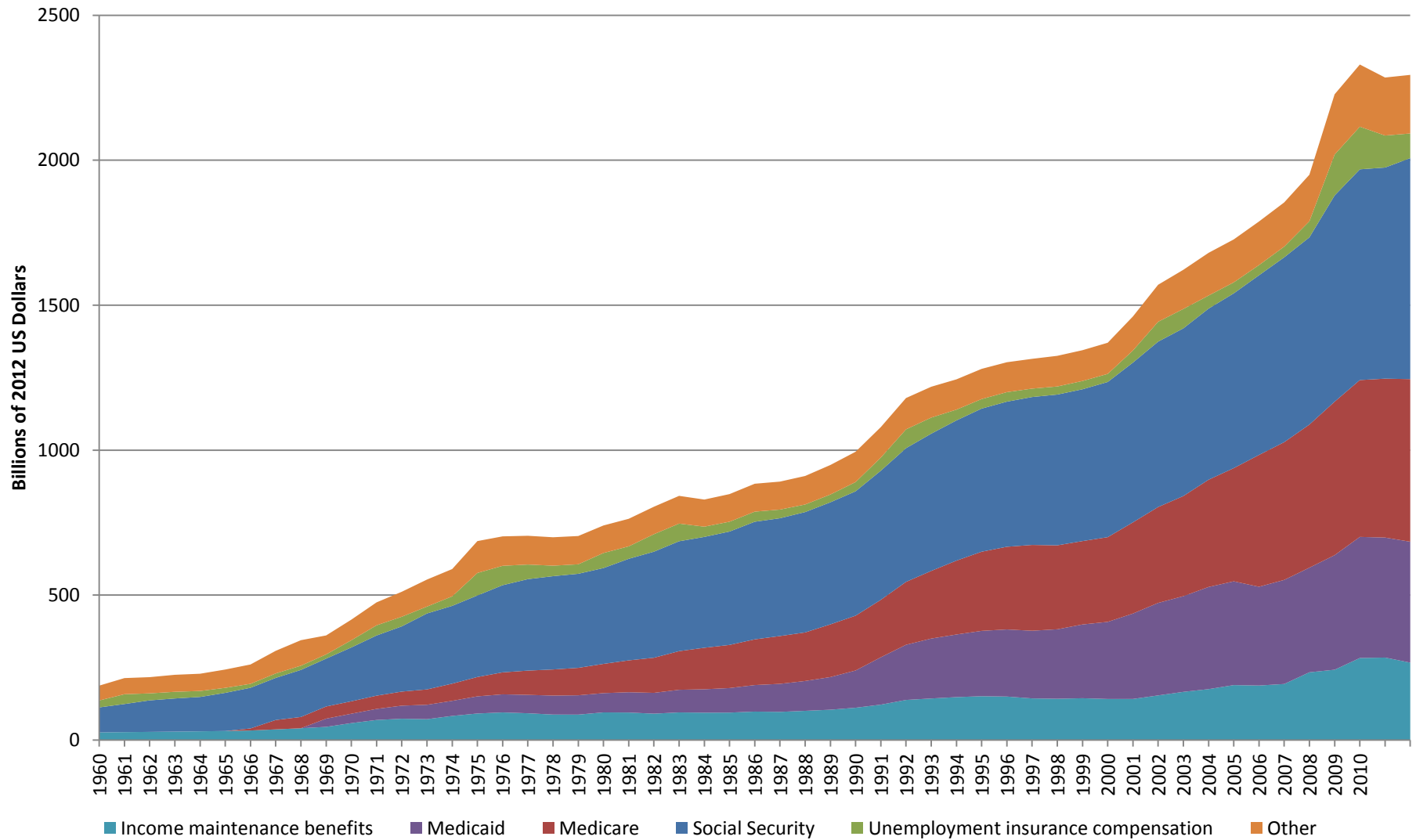
Prepare For Crossover...

Government Consumption At All Levels vs. Federal Government Entitlement Transfers: As a Percentage of Government Outlays at All Levels, 1940-2010



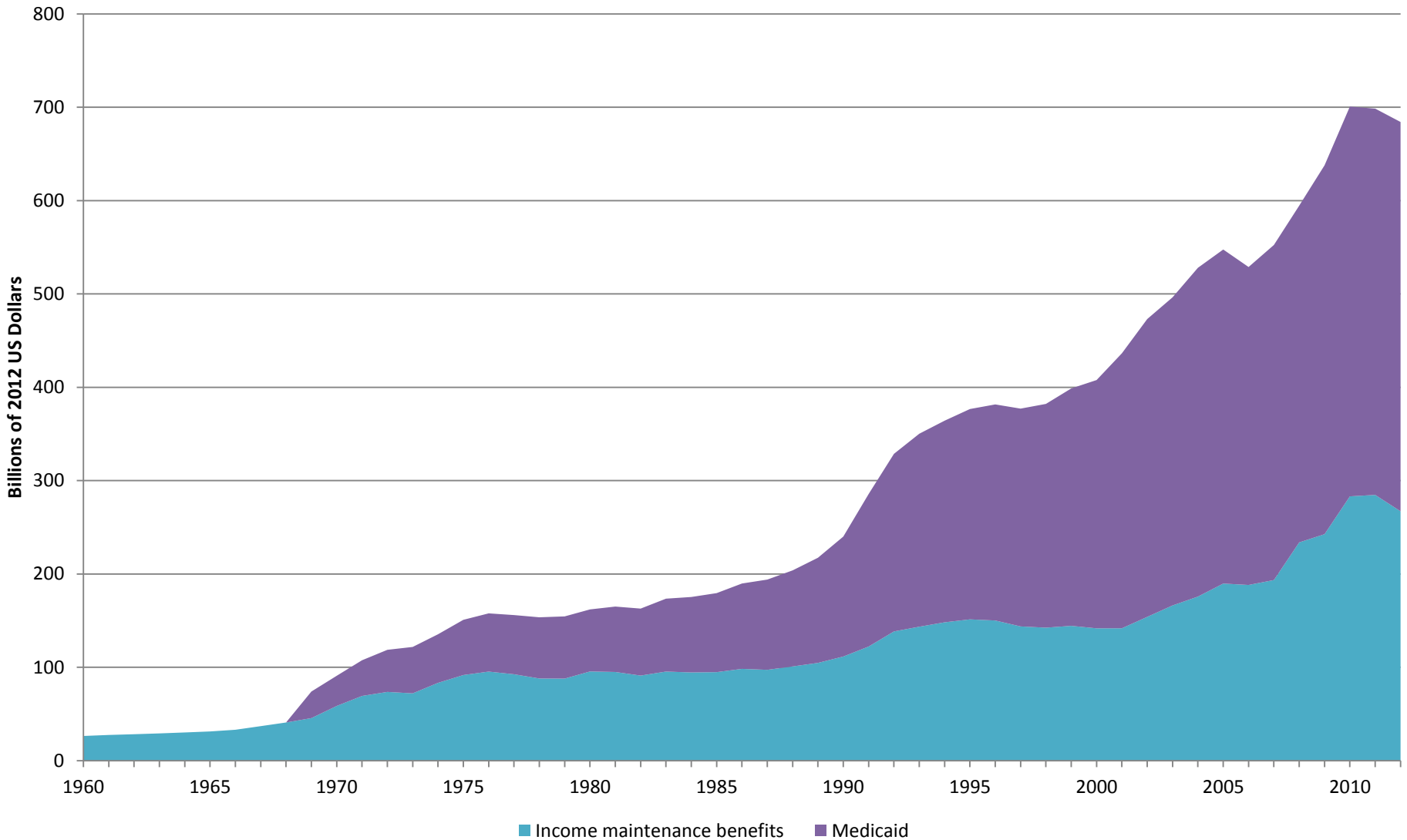
Sources: Derived from: Bureau of Economic Analysis, Entitlement Transfers: Bureau of Economic Analysis, <http://www.bea.gov/iTable/iTableHtml.cfm?reqid=70&step=30&isuri=1&7028=-1&7040=-1&7083=Levels&7031=0&7022=7&7023=0&7024=Non-Industry&7025=0&7026=00000&7027=-1&7001=47&7029=7&7090=70&7033=-1>. Accessed August 1, 2012.; and http://www.bea.gov/scb/pdf/2011/08%20August/0811_gdp_nipas.pdf, Accessed July 31, 2012.

Composition of Inflation-Adjusted Government Transfer Payments, 1960-2012: Constant 2012 \$ US (in billions)



Sources : Government Entitlement Transfers: Bureau of Economic Analysis, SA35 Personal current transfer receipts, <http://www.bea.gov/iTable/iTableHtml.cfm?reqid=70&step=30&isuri=1&7028=-1&7040=-1&7083=Levels&7031=0&7022=7&7023=0&7024=Non-Industry&7025=0&7026=00000&7027=-1&7001=47&7029=7&7090=70&7033=-1> . Accessed November 13, 2013; and For Consumer Price Index (CPI): US Department of Labor, Bureau of Labor Statistics, consumer price index. Available at <ftp://ftp.bls.gov/pub/special.requests/cpi/cpi.ai.txt>. Accessed November 13, 2013.

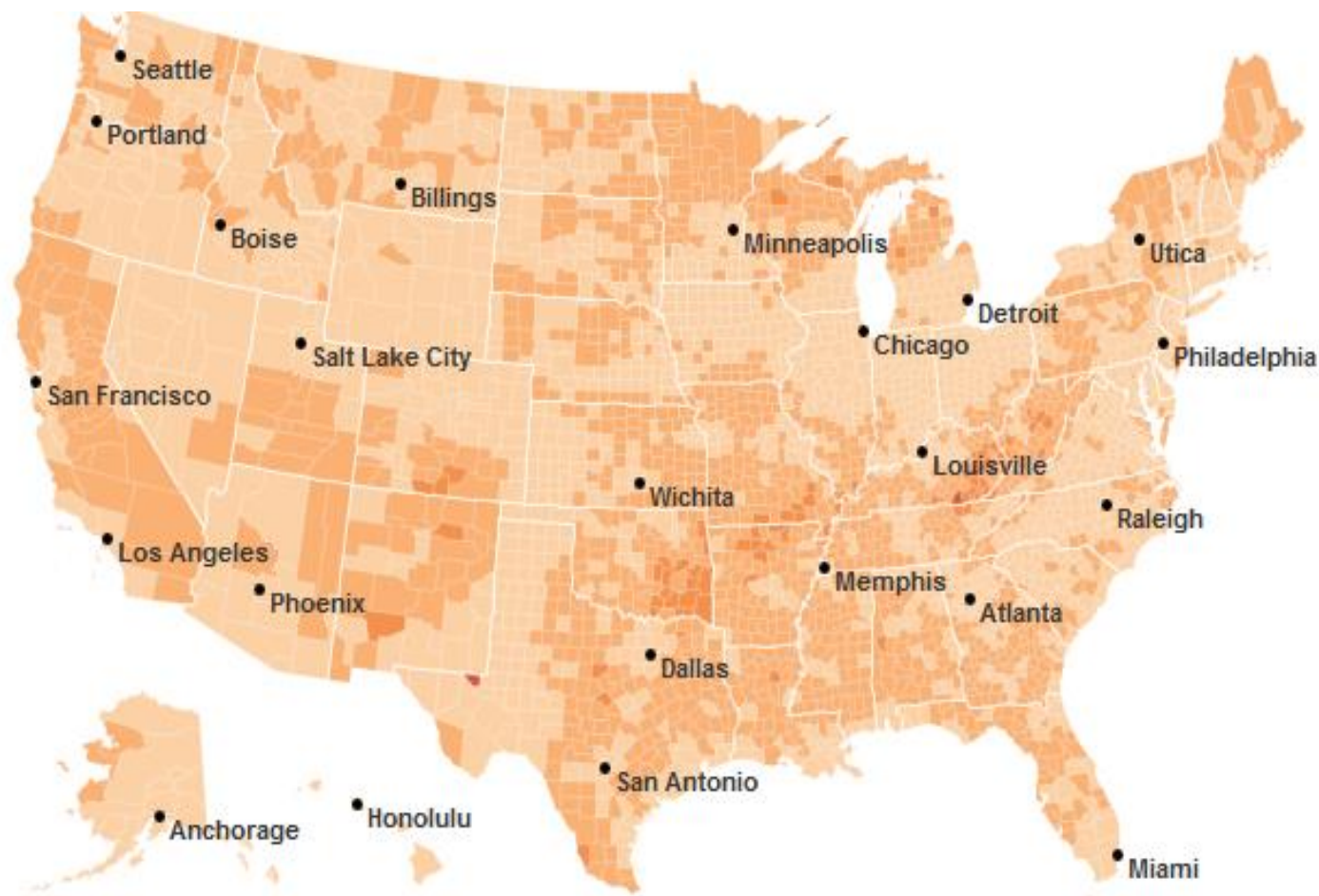
Inflation-Adjusted Means Tested Government Transfer Benefits, 1960-2012 (Constant 2012 \$ US, billions)



Sources : : Government Entitlement Transfers: Bureau of Economic Analysis, SA35 Personal current transfer receipts, <http://www.bea.gov/iTable/iTableHtml.cfm?reqid=70&step=30&isuri=1&7028=-1&7040=-1&7083=Levels&7031=0&7022=7&7023=0&7024=Non-Industry&7025=0&7026=00000&7027=-1&7001=47&7029=7&7090=70&7033=-1>. Accessed November 13, 2013; and For Consumer Price Index (CPI): US Department of Labor, Bureau of Labor Statistics, consumer price index. Available at <ftp://ftp.bls.gov/pub/special.requests/cpi/cpiat.txt>. Accessed November 13, 2013.

The Rising Tide of Entitlements: Part I

1969



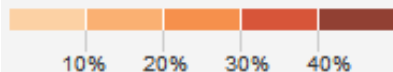
All Government Benefits

ACCOUNTS FOR

7.8%

OF PERSONAL INCOME IN 1969

Government payments to individuals in more than 50 benefit programs, from food stamps to Medicare.



Source: The New York Times, February 11, 2012, The Geography of Government Benefits,
<http://www.nytimes.com/interactive/2012/02/12/us/entitlement-map.html?ref=us>, accessed February 13, 2012

The Rising Tide of Entitlements: Part II

2009

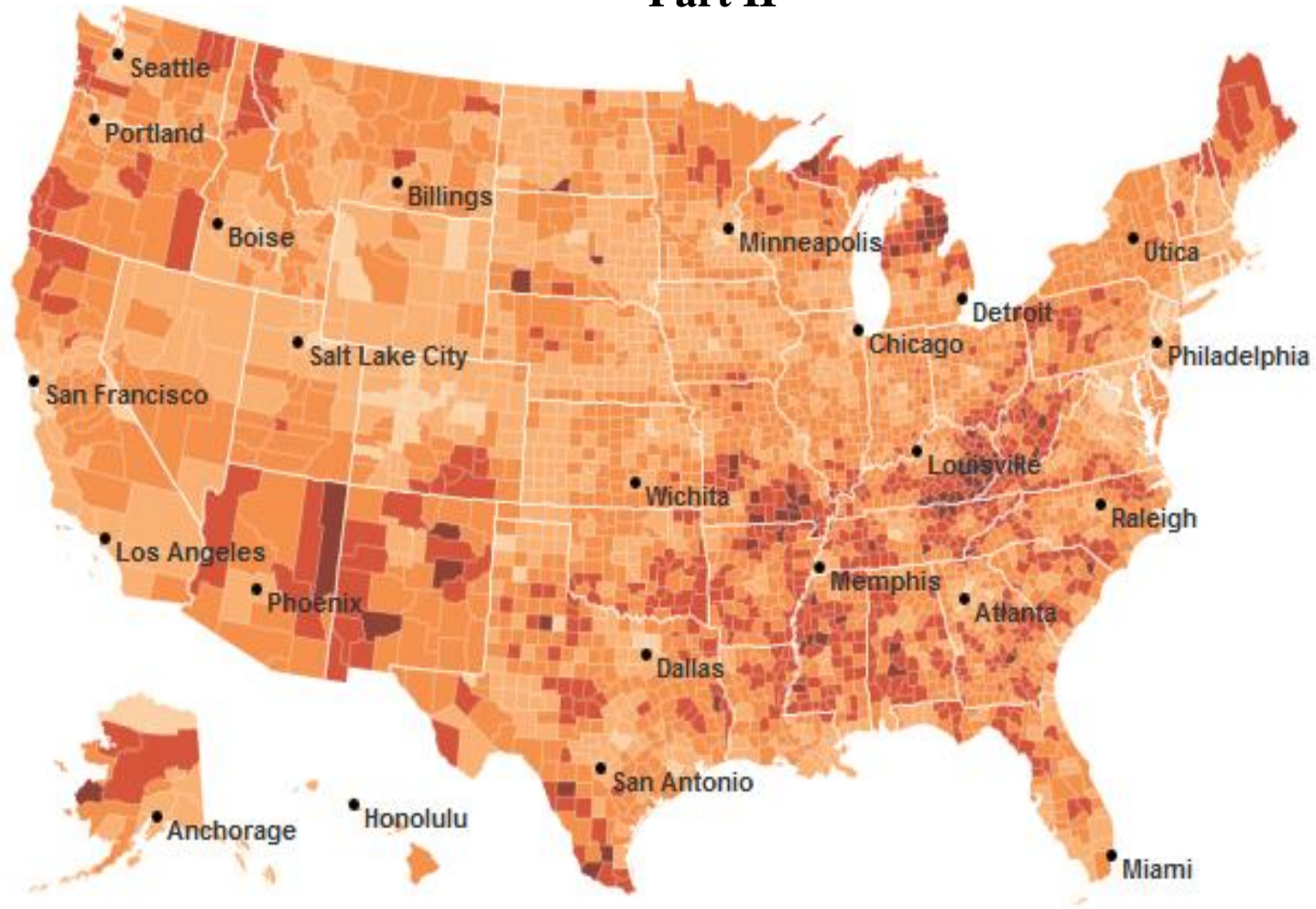
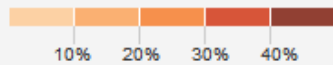
All Government Benefits

ACCOUNTS FOR

17.6%

OF PERSONAL INCOME IN 2009

Government payments to individuals in more than 50 benefit programs, from food stamps to Medicare.



Source: The New York Times, February 11, 2012, The Geography of Government Benefits,
<http://www.nytimes.com/interactive/2012/02/12/us/entitlement-map.html?ref=us> , accessed February 13, 2012

Expanding Net

Percentage of U.S. population living in a household receiving some government benefits

50%

45

40

35

30

25

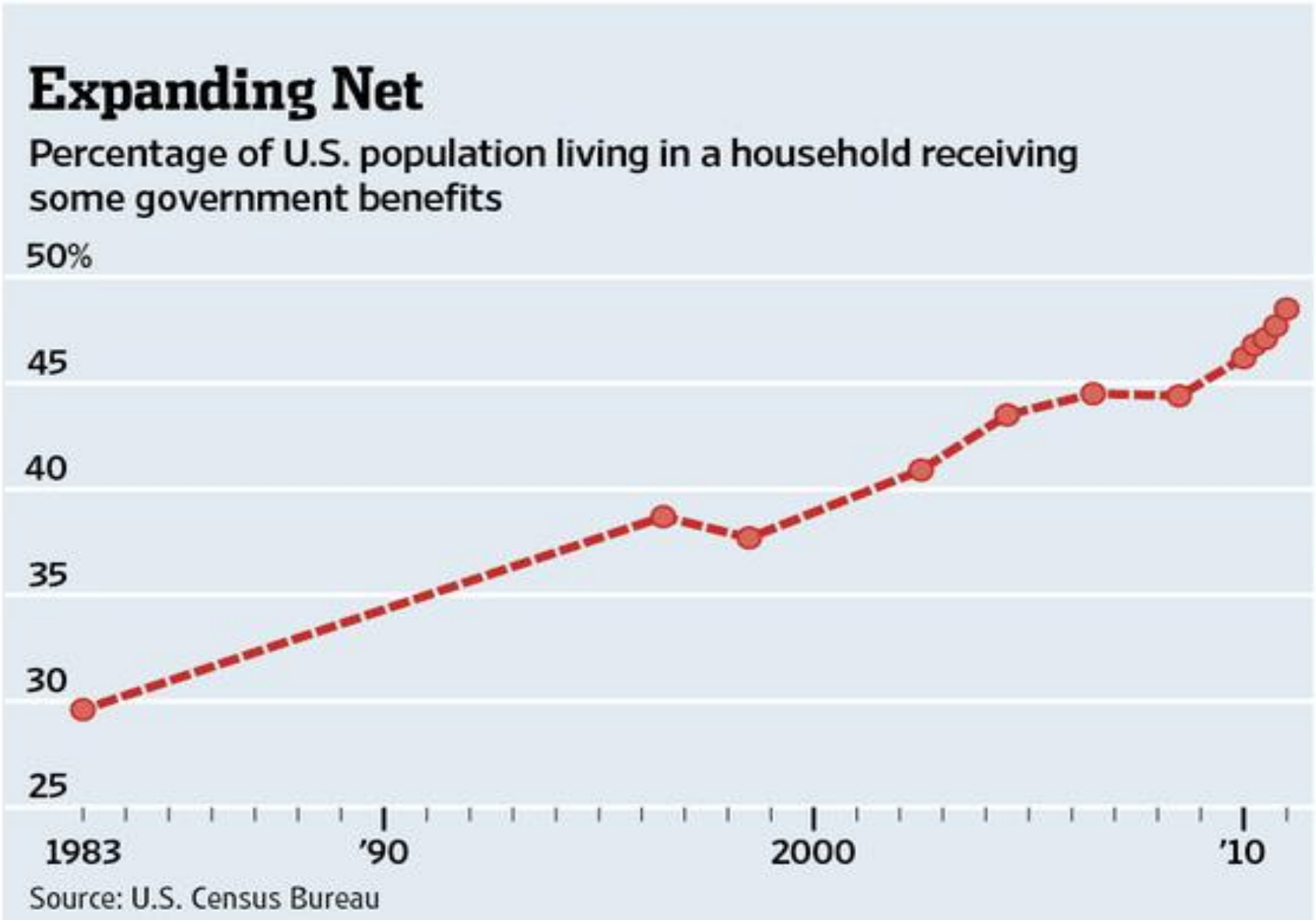
1983

'90

2000

'10

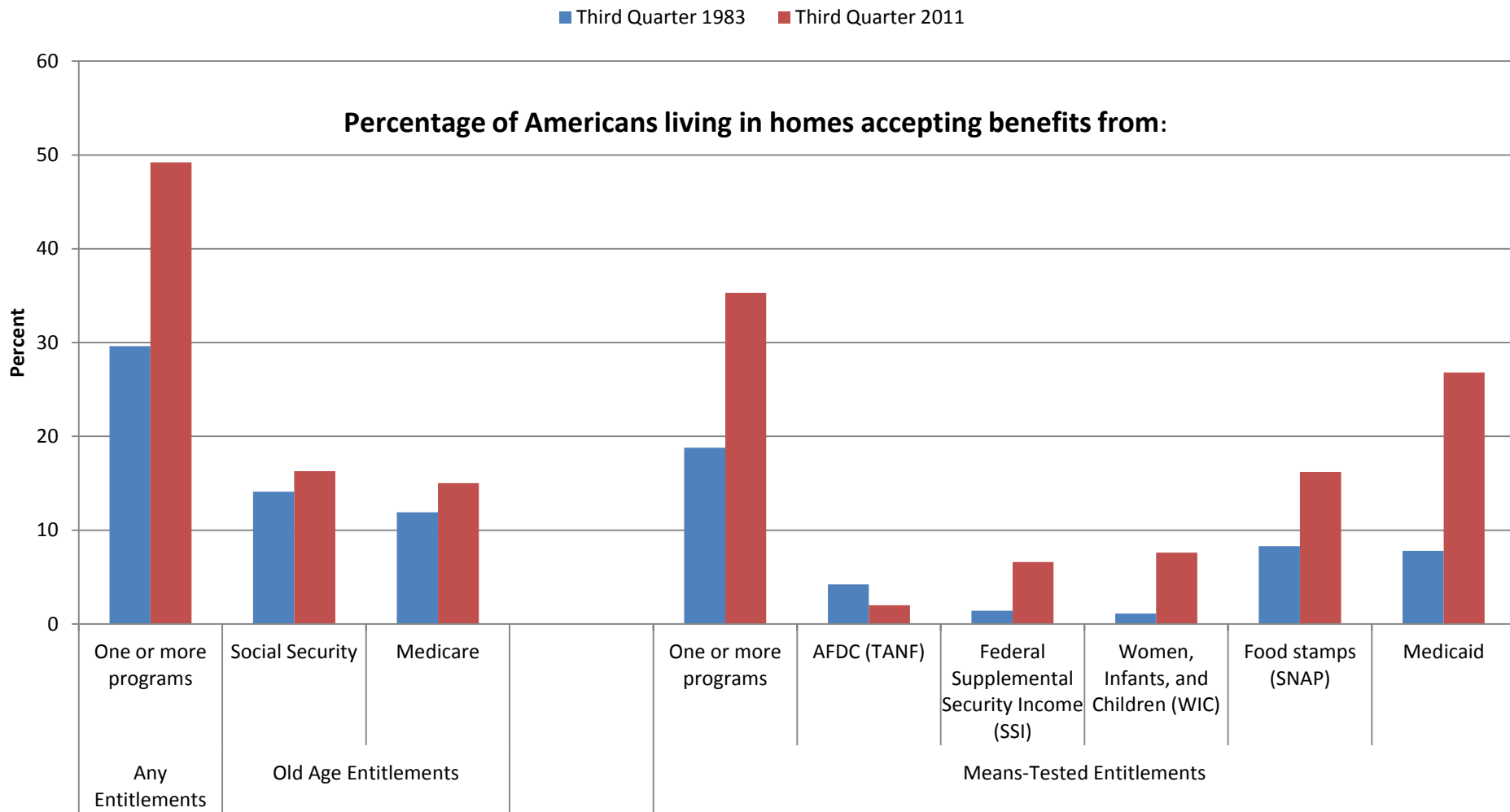
Source: U.S. Census Bureau



Source: Sara Murray. "Nearly Half of U.S. Lives in Household Receiving Government Benefit," *Wall Street Journal*, 5 October, 2011.

The Explosion in Entitlement Dependency

USA: 1983 vs. 2011

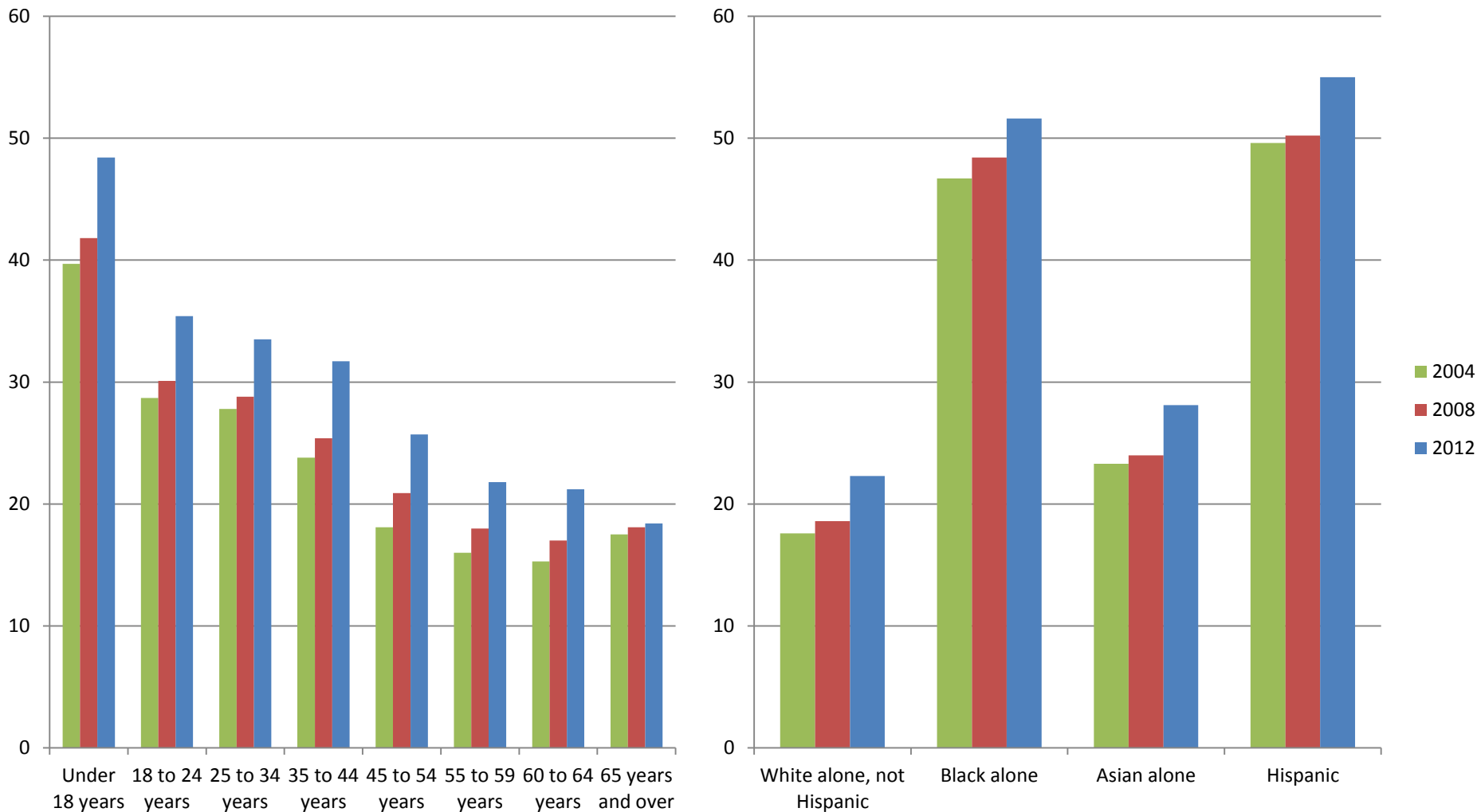


(Note: Details may not sum to totals because of rounding, because not all categories are shown, and because people may receive benefits from more than one program.)

Source: U.S. Census Bureau, Current Population Reports, Series P-70, No. 1 Economic Characteristics of Households in the United States: Third Quarter 1983, U.S. Government Printing Office, Washington D.C., 1984, available at: <http://www.census.gov/sipp/p70-1.pdf>, Table C; U.S. Census Bureau, Survey of Income and Program Participation, Waves 9, 10, and 11, 2008 Panel, July-September 2011. For information on sampling and non sampling error see: [http://www.census.gov/sipp/sourceac/S&A08_W1toW9\(S&A-14\).pdf](http://www.census.gov/sipp/sourceac/S&A08_W1toW9(S&A-14).pdf);

Means-Tested America: An Emerging Majority?

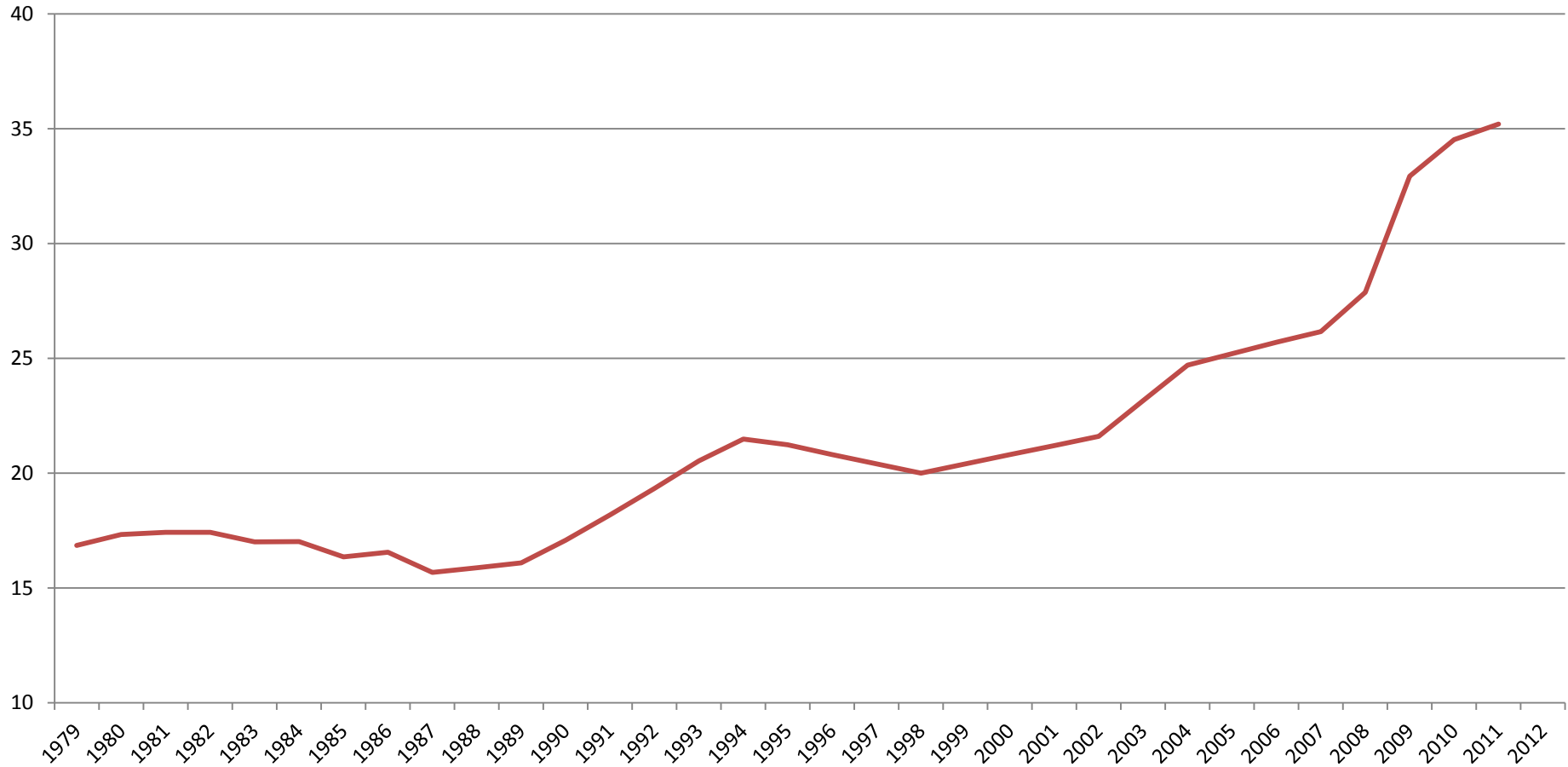
Percentage of Population Receiving Need-Based Benefits by Age and Ethnicity: 2004, 2008, 2012



Source: U.S. Census Bureau, Current Population Survey, 2005, 2009, and 2013 Annual Social and Economic Supplement, accessed on February 27, 2014.

Are We Really Getting More Needy?

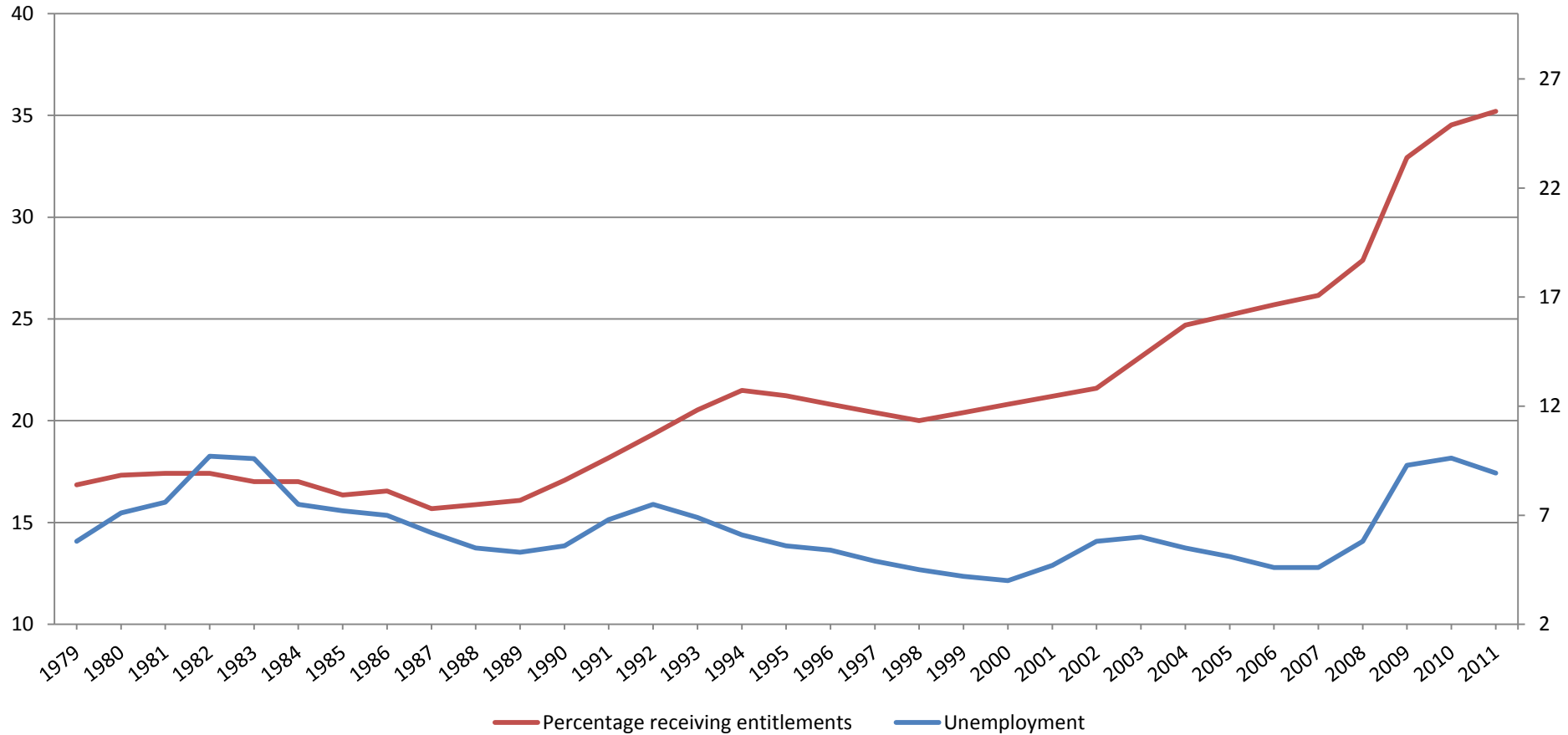
Percentage of Americans Receiving Means-Tested Public Benefits , 1979-2011



Source: Unpublished U.S. Census Bureau data run commissioned by the Wall Street Journal, provided to the author by Sara Murray, January 16, 2012; U.S. Census Bureau, Survey of Income and Program Participation, 2008 Panel, available at <http://www.census.gov/programs-surveys/sipp/publications/tables/hsehd-char.html>, Accessed February 21, 2014.

Disconnect, Part I:

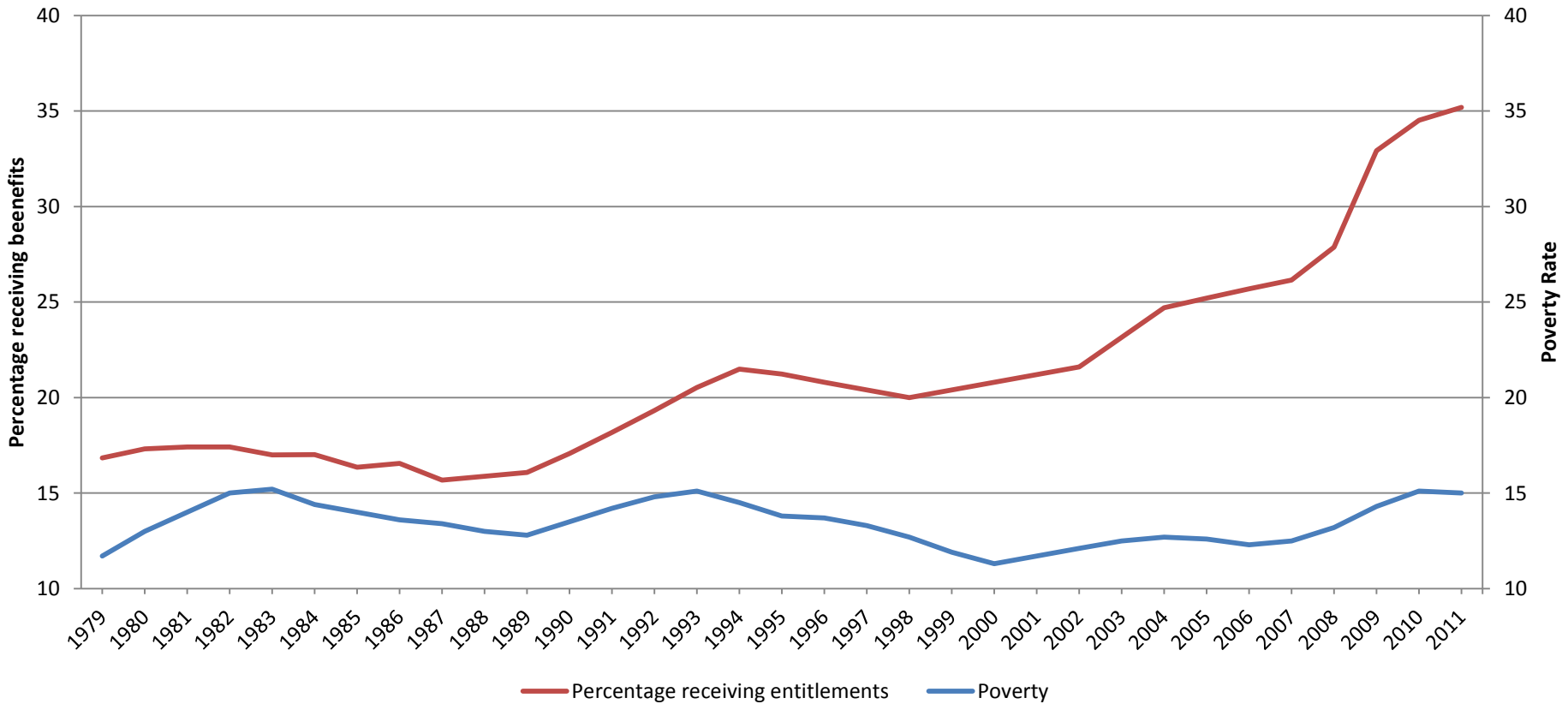
Percentage of Americans Receiving Means Tested Public Benefits vs. Unemployment Rate, 1979-2011



Source: Unpublished U.S. Census Bureau data run commissioned by the Wall Street Journal, provided to the author by Sara Murray, January 16, 2012; U.S. Census Bureau, Survey of Income and Program Participation, 2008 Panel, available at <http://www.census.gov/programs-surveys/sipp/publications/tables/hsehd-char.html>, Accessed February 21, 2014. Unemployment: Bureau of Labor Statistics, Department of Labor, "Labor Force Statistics from the Current Population Survey: Unemployment Rate (LNU04000000)" Washington, DC, Accessed February 21, 2014.

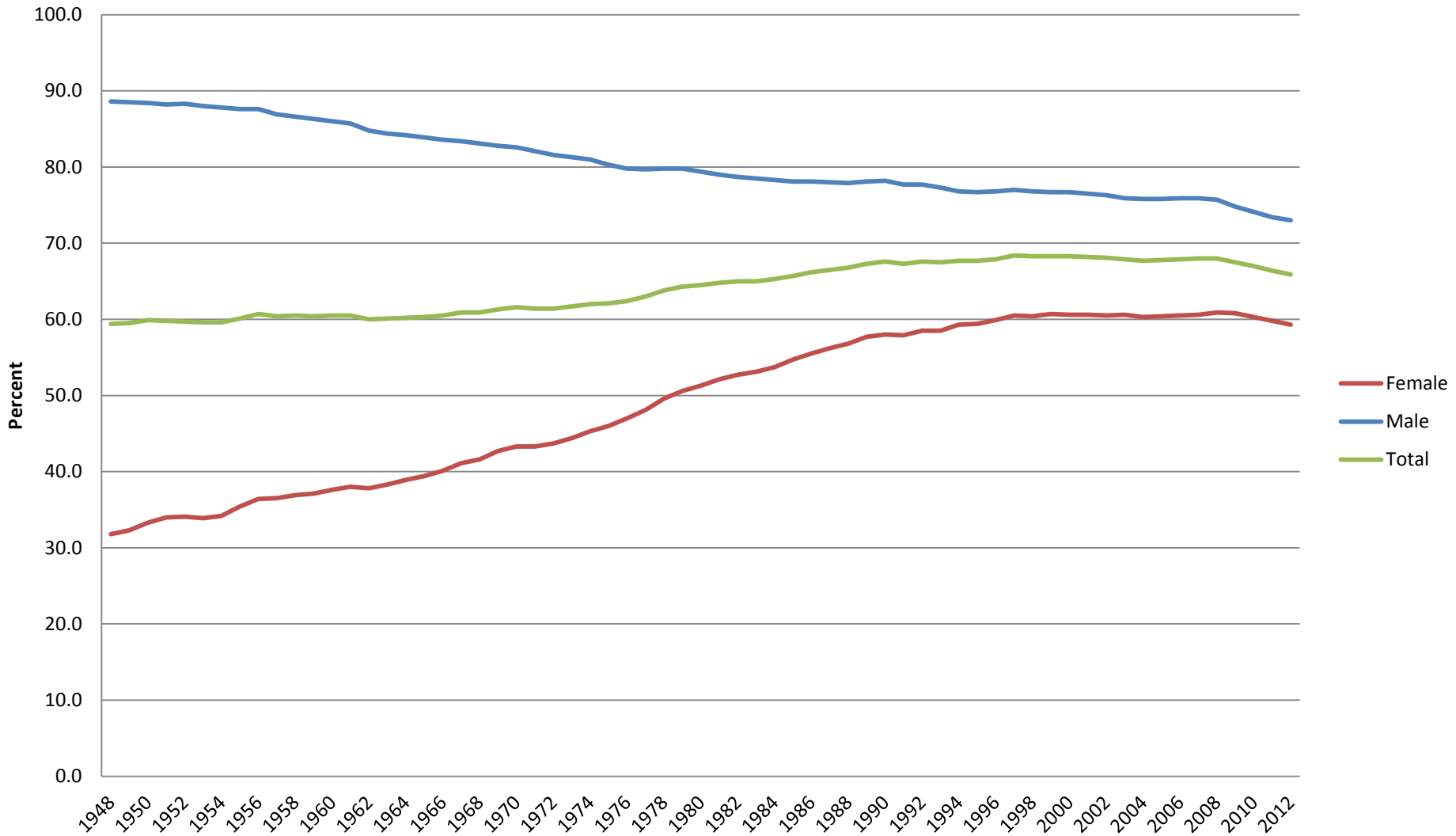
Disconnect, Part II:

Percentage of Americans Receiving Means Tested Public Benefits vs. Poverty Rate, 1979-2011



Source: Unpublished U.S. Census Bureau data run commissioned by the Wall Street Journal, provided to the author by Sara Murray, January 16, 2012; U.S. Census Bureau, Survey of Income and Program Participation, 2008 Panel, available at <http://www.census.gov/programs-surveys/sipp/publications/tables/hsehd-char.html>, Accessed February 21, 2014. Poverty and Income data: DeNavas-Walt, Carmen, Bernadette D. Proctor, and Jessica C Smith, U.S. Census Bureau, Current Population Reports, P60-245, *Income, Poverty, and Health Insurance Coverage in the United States: 2012*, U.S. Government Printing Office, Washington, DC, 2013, available at: <http://www.census.gov/prod/2013pubs/p60-245.pdf>; Accessed February 21, 2014.

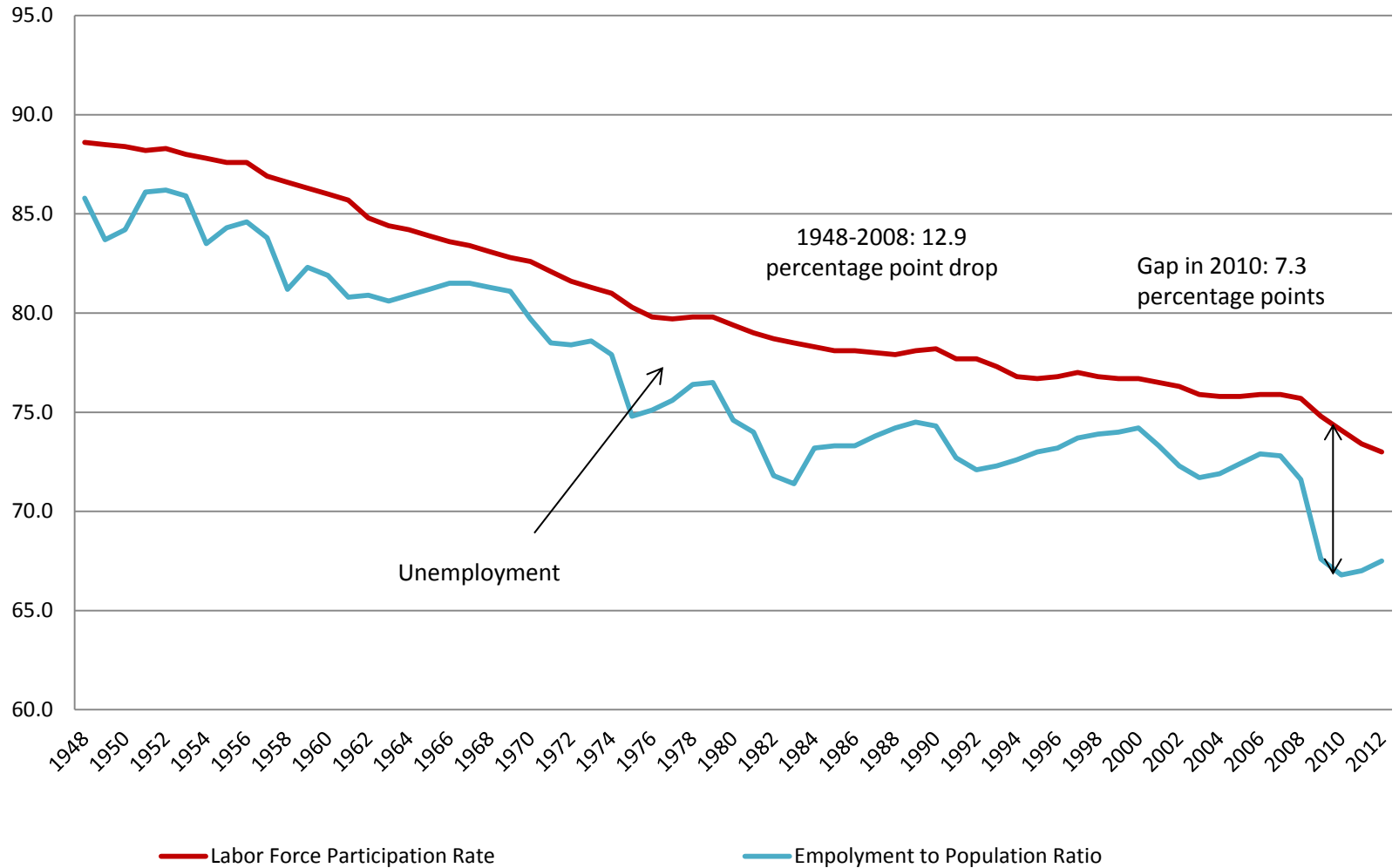
US Labor Force Participation Rate 1948-2013, by Gender (Men and Women 20 Years of Age and Older)



Source: Bureau of Labor Statistics, One Screen database, Labor Force Statistics, Series "LNU01300000" , "LNU01300001" , "LNU01300002" <http://www.bls.gov/data/>, accessed November, 2013.

Where Did All The Men Go?

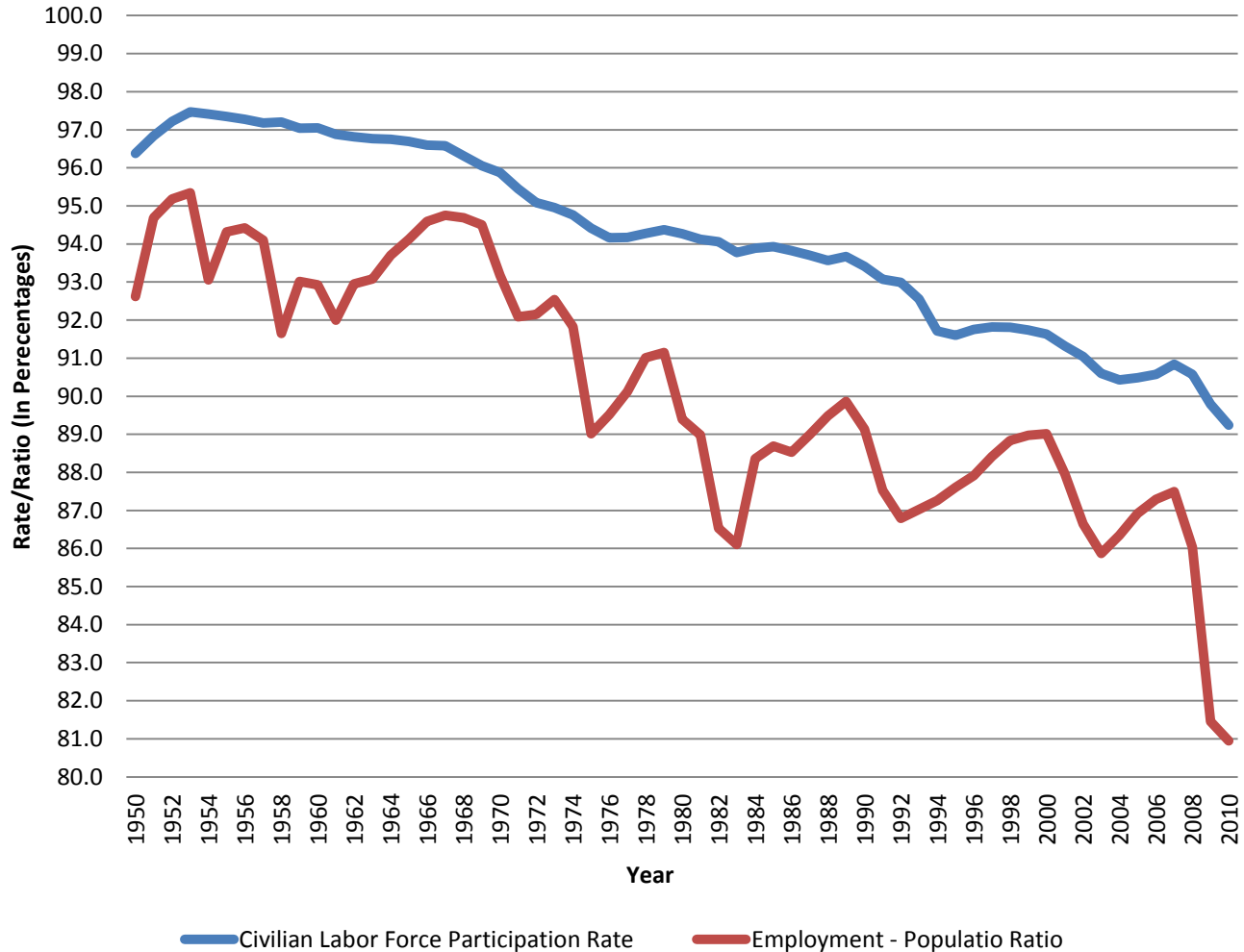
US Labor Force Participation Rate vs. Employment to Population Ratio, Males 20+, 1948-2012



Source: Bureau of Labor Statistics, One Screen database, Labor Force Statistics, Series "LNU01300001" , "LNS12300001" <http://www.bls.gov/data/>, accessed November 15, 2013.

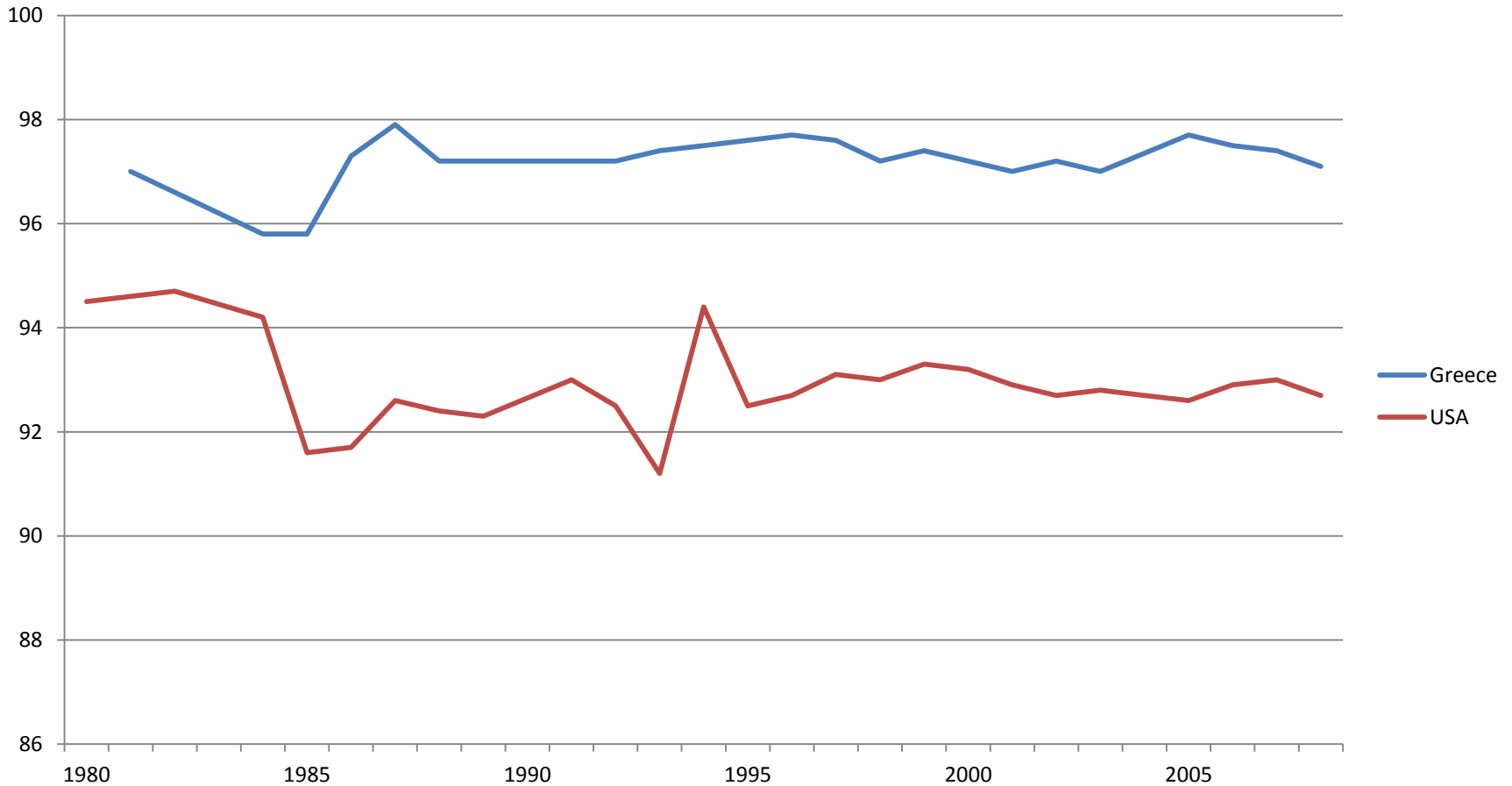
Prime of Life?

**LF Participation Rate vs. Employment-to-Population Ratio:
USA, Males 25-54, 1950-2010 (BLS)**



Those Hard-Working Greeks...

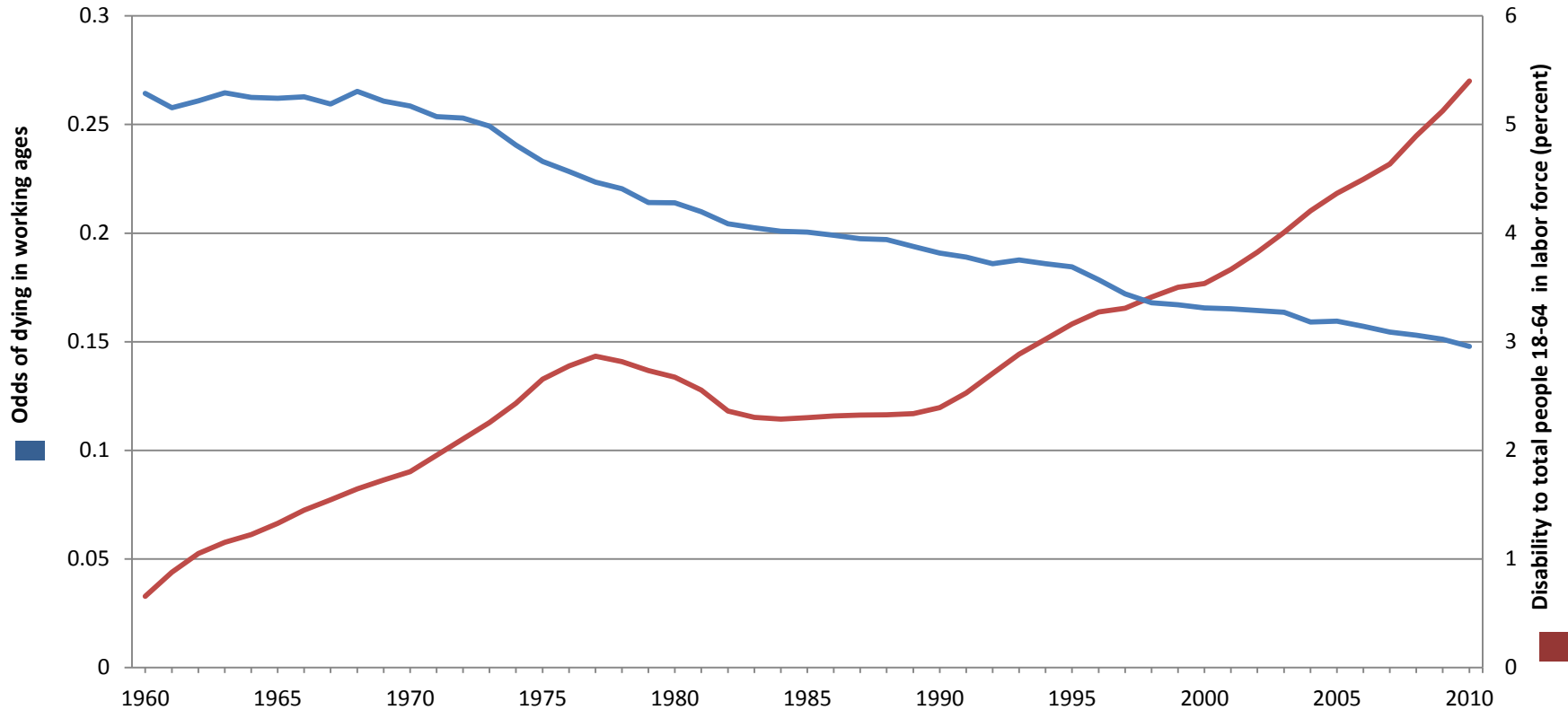
Labor Force Participation Rate for Males 35-39: USA vs. Greece, 1976-2008



Sources: Bureau of Labor Statistics, One Screen database, Labor Force Statistics, Series "LNU01300001" <http://www.bls.gov/data/>, accessed June 15, 2012; International Labor Office: Economically Active Population, Greece, 1948-2008, http://laborsta.ilo.org/applv8/data/EAPEP/eapep_E.html, Accessed on February 27, 2012.

What Is Wrong With This Picture?

Odds of Dying Between Ages 18 and 65 vs.
Percentage of Labor Force Ages 18-64 On Federal Disability Benefits:
USA, 1960-2010



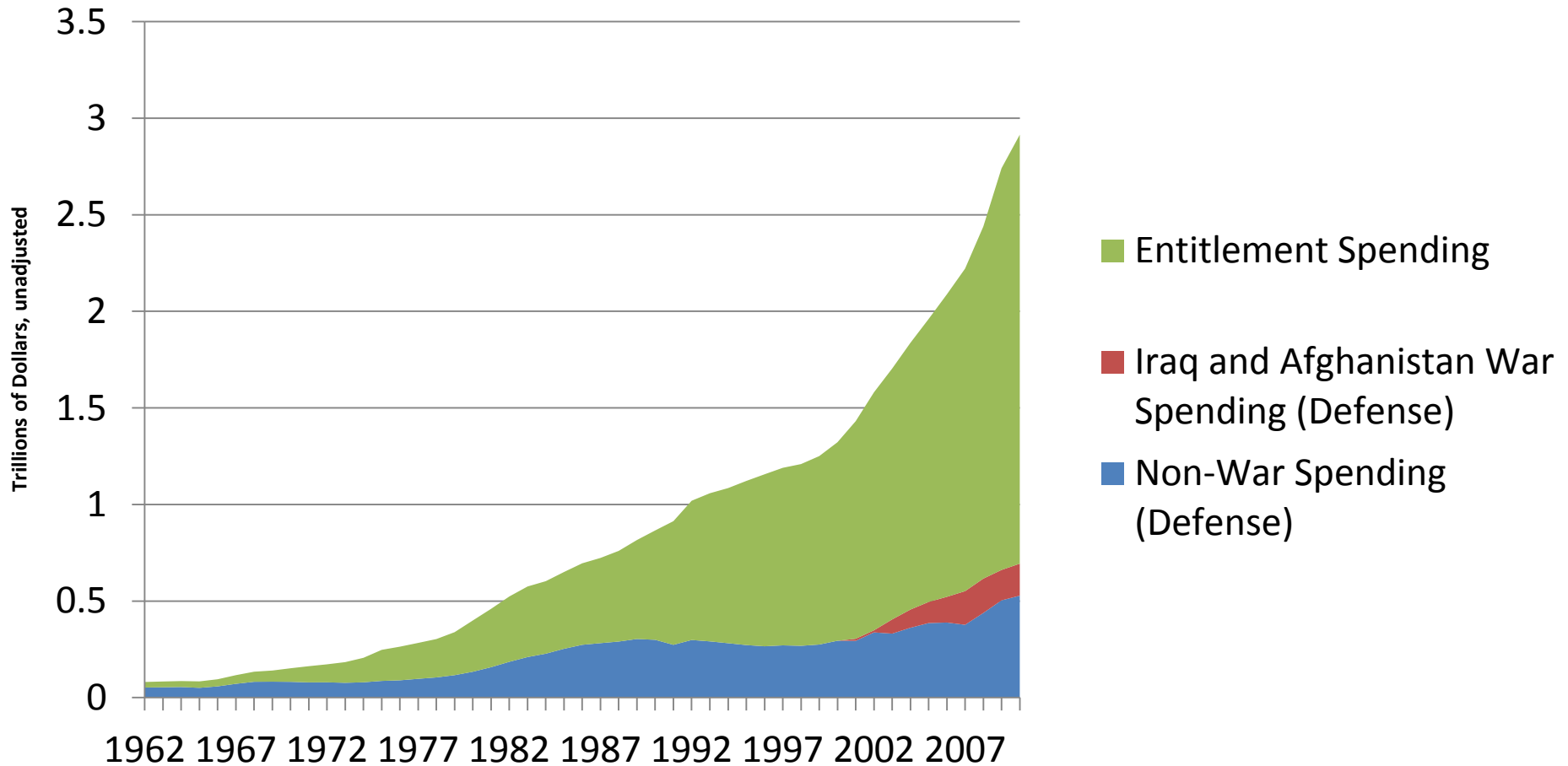
Derived from: Mortality Rates: The Human Mortality Database, lx, http://www.mortality.org/hmd/USA/STATS/mltper_1x1.txt, Accessed on November 14, 2013 .

Disability Rates: Social Security Administration, Office of Retirement and Disability Policy, *Annual Statistical Report on the Social Security Disability Insurance Program, 2011*, http://www.socialsecurity.gov/policy/docs/statcomps/di_asr/2011/index.html, accessed November 14, 2013.

Labor Force: The Bureau of Labor Statistics, One Screen database, Labor Force Statistics, Series "LNU01076975" <http://www.bls.gov/data/> , accessed November 14, 2013.

Crowding Out Defense

Entitlement spending compared to war and non-war defense spending
(Trillions of current \$ US)

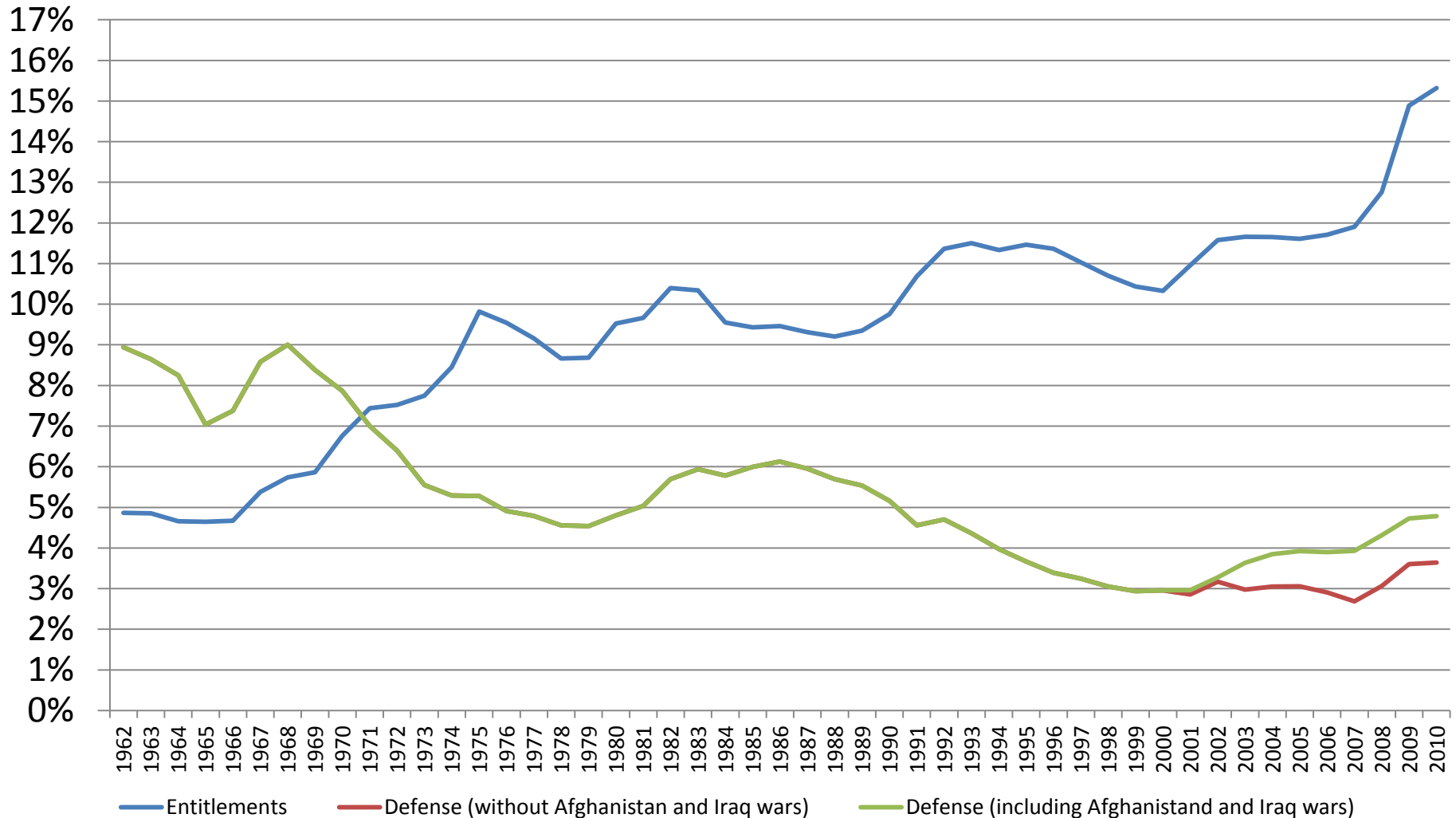


Source: US Bureau of Economic Analysis, <http://www.bea.gov/iTable/iTableHtml.cfm?reqid=70&step=30&isuri=1&7028=20&7040=-1&7083=Levels&7031=0&7022=13&7023=7&7024=Non-Industry&7025=4&7026=00000&7027=-1&7001=713&7029=13&7090=70&7033=-1>. Accessed August 1, 2012

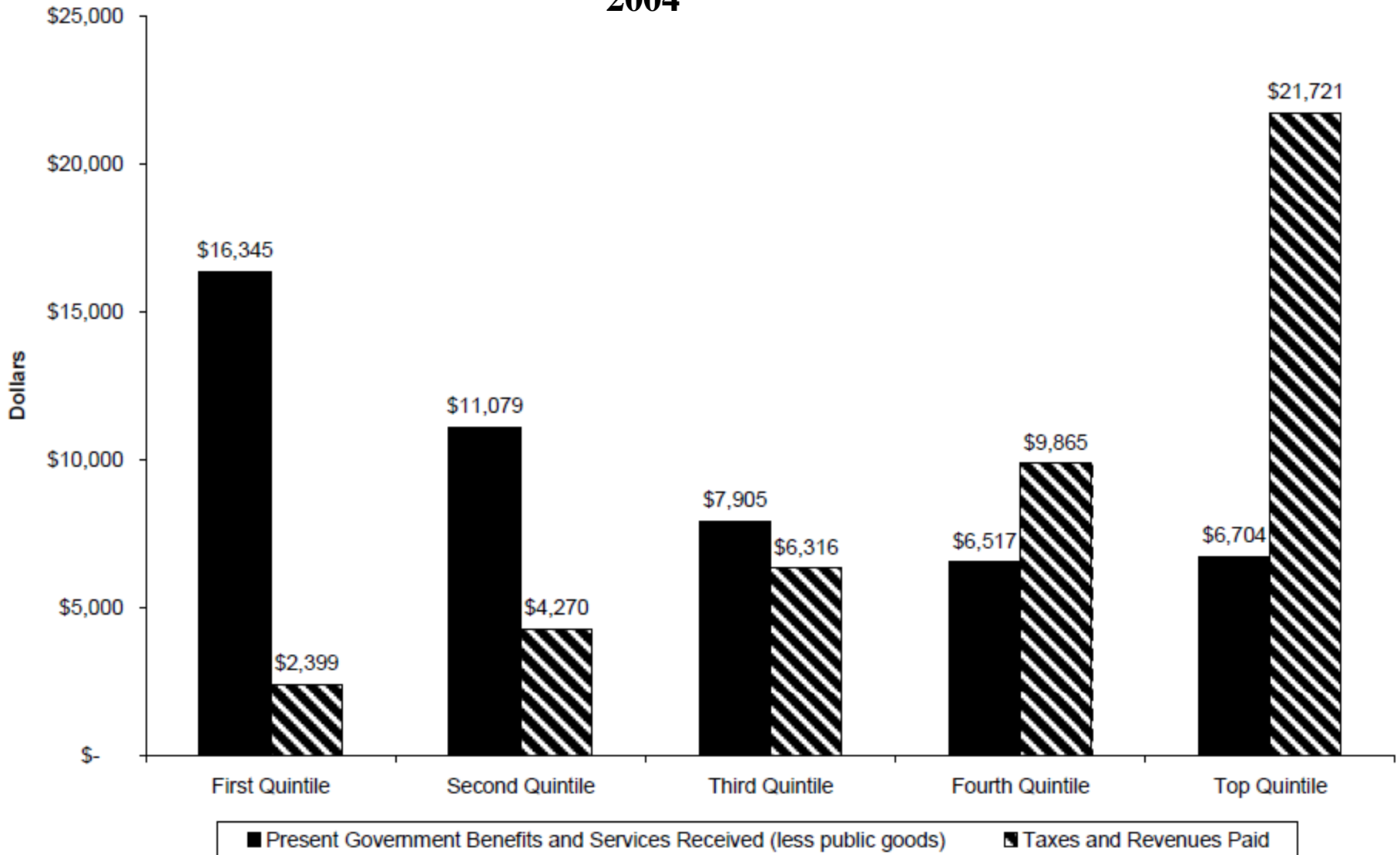
Center for Strategic and International Studies. "The U.S. Cost of the Afghan War: FY2002-FY2013"
http://csis.org/files/publication/120515_US_Spending_Afghan_War_SIGAR.pdf Accessed October 16, 2012

Defense and Entitlements

Defense and Entitlement Spending As a percent of GDP, 1962-2010



Average Benefits Received and Taxes Paid per Person 2004



Note: Chart reflects 2004 numbers.

Source: Robert Rector and Christine Kim. 2008. "How the Wealth is Spread: The Distribution of Government Benefits, Services and Taxes by Income Quintile in the United States," Fall 2008 Conference of The Association for Public Policy Analysis and Management.