🇺🇸 America's welfare system: Is this what we want?

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More than ten years ago, a new system of measuring poverty was proposed and implemented during Obama's presidency. Significant concern was expressed by Washington Post columnist Robert Samuelson at the time. His concern got my attention.

That new system made the poverty thresholds change upward as the average prosperity went up. It became possible that people in the U.S. who qualify as living "in poverty," could have far more disposable income and "stuff" than previously thought. Under this new system, rather than "poverty level" determination, this measurement should be described as describing "relative income distribution." It's certainly not measuring "relative living conditions."

In 2022, John Early's research report for the Cato Institute represented that $1.1 trillion was spent by the federal government on 134 welfare programs. State and local governments also offered benefits. More recently, Early's research found that the total federal welfare spending is now about $1.4 trillion annually, and growing about twice as fast, as a percentage, as is total federal spending. That also got my attention.

The American Institute for Economic Research published an extensive report in 2025 titled "The Work vs. Welfare Tradeoff Revisited." Here's one key point: "The total value of all welfare benefits examined in this paper pay more than both a starting salary and median income in all 50 states." That's interesting, but I was still missing information on the total impact on a typical welfare household.

A very recent article in the Wall Street Journal, "The Biggest Fraud in Welfare" by Phil Gramm and John Early presented research that focused on the impact on individual households.

One research finding was that if welfare spending was simply doled out directly to the almost 20 million poverty families, each household would receive almost $71,000 per year. And much of that would not be taxable.

Alternatively, if the government simply gave every poor family just enough money to raise its income above the poverty level, it would cost only "$240 billion." Keep in mind total federal welfare spending is $1.4 trillion. Think about the impact of using the excess funds for reducing the national deficit.

The article sites an example of a "single parent with two school-age children who earns $11,000 annually from part-time work." This is a household in poverty because its

income falls under the $25,273 threshold for that size household. This family would qualify for annual benefits totaling $53,128 as follows: checks for $3,400 in refundable child tax credits and $4,400 in refundable earned-income tax credits; Food Stamp debit cards worth $9,216 a year; $9;476 in housing subsidies; $877 of government payments for utility bills; $16,033 in Medicaid funding, $3,102 in free school meals; and $6,624 in Temporary Assistance for Needy Families.

That totals $64,128. In addition, there are other state and local welfare benefits the family could take advantage of. The WSJ article reports the Congressional Budget Office and other researchers report that "when all means-tested payments are counted as income, most welfare recipients have incomes that put them in the middle class, and the proportion of poor people in the U.S. falls from more than 10% to less than 1%."

It's interesting that media reports over several decades have consistently stated that the number of people in the U.S. living in poverty has risen consistently, and that the U.S. poverty rate is among the highest in the developed world. That doesn't make sense.

Is our bureaucracy hiding the generosity of our welfare system? And, while our system is "secretly" very effective at lifting people out of poverty, we don't seem to be providing incentives for households to successfully exit the welfare system.

Here's the problem. We aren't even measuring and reporting true poverty statistics. Rather than measuring poverty, our system measures income distribution, i.e. income relative to the average and highest earners in the country. That's the measurement method set up during Obama's administration. Poverty rate, if it were being measured, measures actual living standards and conditions.

Under our welfare system, a family is included in the "poverty statistics" even when federal programs have lifted them far out of poverty! And, our system makes it virtually impossible for statistics to reveal that most poor families have made significant progress in living conditions. Our welfare system seems to be set up to perpetuate a false image of a permanently poor population.

Do we really want a welfare system that is self-perpetuating? That happens when households are categorized as living in poverty, even though their total income, including welfare benefits, exceeds that of many households properly characterized as "middle income." These welfare households remain on the welfare rolls despite their impressive financial progress.

Do we want to be incorrectly identified as having one of the highest poverty rates in the developed world? Finally, do we want the complexity of 134 separate, inevitably overlapping, programs?

Is this the type of welfare system we want to embrace?