WWS 594, Feb. 15

PK
In a December 2011 op-ed, former Massachusetts Governor Mitt Romney warned ominously of the dangers that the nation faces from the encroachment of the “Entitlement Society,” predicting that in a few years, “we will have created a society that contains a sizable contingent of long-term jobless, dependent on government benefits for survival.” “Government dependency,” he wrote, “can only foster passivity and sloth.”

Similarly, former senator Rick Santorum said that recent expansions in the “reach of government” and the spending behind them are “systematically destroying the work ethic.”
Government social benefits to persons - Unemployment insurance
(W825RC1)

Shaded areas indicate US recessions.
2012 research.stlouisfed.org
<table>
<thead>
<tr>
<th>Mandatory spending (core analysis)</th>
<th>Federal</th>
<th>State</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security a</td>
<td>689</td>
<td></td>
<td>689</td>
</tr>
<tr>
<td>Unemployment compensation b</td>
<td>156</td>
<td></td>
<td>156</td>
</tr>
<tr>
<td>Supplemental Security Income</td>
<td>44</td>
<td></td>
<td>44</td>
</tr>
<tr>
<td>Temporary Assistance for Needy Families (basic assistance only) c</td>
<td>7</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Supplemental Nutrition Assistance Program d</td>
<td>65</td>
<td></td>
<td>65</td>
</tr>
<tr>
<td>School Lunches e</td>
<td>10</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Earned Income Tax Credit (refundable share) f</td>
<td>55</td>
<td></td>
<td>55</td>
</tr>
<tr>
<td>Child Tax Credit (refundable share)</td>
<td>23</td>
<td></td>
<td>23</td>
</tr>
<tr>
<td>Medicare g</td>
<td>519</td>
<td></td>
<td>519</td>
</tr>
<tr>
<td>Medicaid h</td>
<td>259</td>
<td>123</td>
<td>382</td>
</tr>
<tr>
<td>Children’s Health Insurance Program i</td>
<td>8</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>Total, mandatory spending included in core analysis j</td>
<td>1,834</td>
<td>130</td>
<td>1,964</td>
</tr>
<tr>
<td>Memorandum: All mandatory spending k</td>
<td>2,096</td>
<td>#N/A</td>
<td>#N/A</td>
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</table>

<table>
<thead>
<tr>
<th>Selected discretionary programs</th>
<th></th>
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<tbody>
<tr>
<td>Rental assistance i</td>
<td>34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) m</td>
<td>6</td>
<td></td>
<td></td>
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<tr>
<td>Low Income Home Energy Assistance n</td>
<td>5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Nine-Tenths of Entitlement Benefit Spending Goes to the Elderly, Disabled, or Working Households

Share of entitlement benefits, 2010

Age 65 and up: 53%

Disabled (non-elderly): 20%

In a working household (non-elderly, non-disabled): 18%

Middle-Income Households Receive a Proportionate Share of Entitlement Benefits

Share of population and entitlement benefits by income group, 2010

- Share of population
- Share of entitlement benefits

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Share of Population</th>
<th>Share of Entitlement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottom 20%</td>
<td>20%</td>
<td>32%</td>
</tr>
<tr>
<td>Middle 60%</td>
<td>60%</td>
<td>58%</td>
</tr>
<tr>
<td>Top 20%</td>
<td>20%</td>
<td>10%</td>
</tr>
</tbody>
</table>
How much should these government programs be cut to help reduce the federal budget?

- Social Security: 76% A lot, 32% Some, 9% Not at all, 2% Don’t know/refused
- Medicare: 80% A lot, 16% Some, 2% Not at all, 2% Don’t know/refused
- Food stamps and housing vouchers for low-income families: 37% A lot, 51% Some, 9% Not at all, 2% Don’t know/refused
- Medicaid: 28% A lot, 65% Some, 2% Not at all, 2% Don’t know/refused
- Defense spending: 42% A lot, 35% Some, 18% Not at all, 3% Don’t know/refused

Which of the following concerns you more?

- Federal programs like food stamps and Medicare don’t provide enough of a safety net for people who need help to get by: 38%
- The government taxes workers too much to fund programs for people who could get by without help: 53%
- Don’t know/refused: 10%

Source: United Technologies/National Journal Congressional Connection Poll (Feb 9-12)

This article appeared in the Tuesday, February 14, 2012 edition of National Journal Daily.
The Geography of Government Benefits

The share of Americans’ income that comes from government benefit programs, like Medicare, Medicaid and Social Security, more than doubled the last four decades, rising from 8 percent in 1969 to 18 percent in 2009.  

Accounted for 17.6% of personal income in 2009

Government payments to individuals in more than 50 benefit programs, from food stamps to Medicare.
2010 personal current transfer receipts / personal income for 10 most liberal and conservative states
<table>
<thead>
<tr>
<th>WEEK ENDING</th>
<th>January 21</th>
<th>January 14</th>
<th>Change</th>
<th>Prior Year¹</th>
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</thead>
<tbody>
<tr>
<td>Regular State</td>
<td>4,049,316</td>
<td>4,060,581</td>
<td>-11,265</td>
<td>4,619,641</td>
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<tr>
<td>Federal Employees (UCFE)</td>
<td>29,814</td>
<td>30,962</td>
<td>-1,148</td>
<td>48,604</td>
</tr>
<tr>
<td>Newly Discharged Veterans (UCX)</td>
<td>42,562</td>
<td>42,496</td>
<td>+66</td>
<td>41,904</td>
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<tr>
<td>EUC 2008²</td>
<td>2,985,907</td>
<td>3,007,696</td>
<td>-21,789</td>
<td>3,756,990</td>
</tr>
<tr>
<td>Extended Benefits⁴</td>
<td>514,691</td>
<td>474,252</td>
<td>+40,439</td>
<td>834,569</td>
</tr>
<tr>
<td>State Additional Benefits⁵</td>
<td>4,234</td>
<td>3,850</td>
<td>+384</td>
<td>7,282</td>
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<tr>
<td>STC / Workshare⁶</td>
<td>36,681</td>
<td>35,386</td>
<td>+1,295</td>
<td>53,366</td>
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<tr>
<td>TOTAL</td>
<td>7,663,205</td>
<td>7,655,223</td>
<td>+7,982</td>
<td>9,362,356</td>
</tr>
</tbody>
</table>
Chart 5. Maximum Duration of Unemployment Insurance Benefits in 21 OECD Countries, 2005

Country

- Australia **
- New Zealand **
- Belgium *
- Denmark
- Spain
- Portugal
- Norway
- Finland
- France
- Switzerland
- Netherlands
- Ireland
- Sweden
- Greece
- Germany
- Japan
- Austria
- Canada
- Italy
- UK
- USA

Duration of unemployment benefits (in months)
Chart 6. Net Income Replacement in the First Five Years after Job Loss in 21 OECD Countries, 2005*
Rising vacancies (blue, inverted on right scale) didn’t immediately translate into lower unemployment.
Figure 3. Historical shifts in the Beveridge curve.

Seasonally adjusted; quarterly observations; merged HWI and JOLTS

Source: BLS, Conference Board, Barnichon (2010) and authors’ calculations
Figure 2. The U.S. Beveridge curve, December 2000-May 2011.

Monthly observations; pre-2007-recession fit

Vacancy rate

Unemployment rate

Fitted
Shifted

Before 2007 recession

Since 2007 recession

Gap: 2.6%
Jun-11
The policy context: crude analysis

Inflation

Normal situation

Worsened tradeoff leads to higher U

Inflation target

Phillips curve

Unemployment
Unemployment

Inflation

Phillips curve

Inflation is below target, shift makes it less below, but has no effect on U

Demand-determined unemployment

Current situation?

Inflation target

Unemployment