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"The Federal Government on Autopilot: Mandatory Spending and the Entitlement Crisis"

America's Entitlements Explosion

Evidence and Implications

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Over the past half century, American politics, American governance, and the American way of life itself have been transformed by the explosive and as yet still unfettered growth of public expenditures on social entitlement programs.[1] In just two generations, the government of the United States of America has effectively become an entitlements machine. As a day-to-day operation, the US government devotes more attention and resources to the public transfers of money, goods, and services to individual citizens than to any other purpose: and for the federal government, more to these ends than to all other purposes combined. Over these same years, entitlement transfers have become a major component in the family budget of the average American household—and our dependence on these government transfers continues to rise.

Needless to say, these social welfare outlays could not have expanded at such a rapid pace were they not extremely popular with both the voters and their elected representatives. Clearly there is an immense and unyielding demand for entitlements—and ever more of them—in modern America. And the rationale for these outlays—assuring the well-being of recipients, protecting the vulnerable, reducing the dangers of economic insecurity—are surely not objectionable; they are reasonable, even admirable. But the first law of social policy is that government programs come with not only intended consequences, but unintended ones as well. Fifty years into our great social experiment of massive expansion of entitlement programs, there is ample evidence to indicate that the unintended consequences of this reconfiguration of American political and economic life have been major and adverse.

Background

Government entitlement payments are benefits to which a person holds an established right under law (i.e., to which a person is entitled). A defining feature of these payments (also sometimes officially referred to as government transfers to individuals or personal current transfer receipts) is that they "are benefits received" by individuals "for which no current service is performed."[2] Entitlements are a relatively new concept in US politics and policy: according to Merriam Webster, the first known use of the term as such was not until 1942.[3] But entitlements have become very familiar, very fast.

In 1965, according to the Bureau of Economic Analysis (BEA), the unit of the Commerce Department charged with estimating American GDP (National Income and Product Accounts, or NIPA), current US government transfers to individuals ("government social benefits to persons") from all programs totaled about $34 billion.[4] By 2015, the direct outlay for entitlements was over $2.6 trillion—more than 75 times bigger. (That sum, incidentally, does not include the many hundreds of billions of additional dollars required to support the personnel and bureaucracies

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[1] This testimony draws upon revises and updates passages from previous publications. Nicholas Eberstadt, *A Nation of Takers: America's Entitlement Epidemic* (Templeton Press, 2012); and Nicholas Eberstadt, "American Exceptionalism and the Entitlement State," *National Affairs* 22 (Winter 2015), http://www.nationalaffairs.com/publications/detail/american-exceptionalism-and-the-entitlement-state.
[2] US Department of Commerce, Bureau of Economic Analysis, "State Personal Income," March 25, 2015, http://www.bea.gov/newsreleases/regional/spi/2015/spi0315.htm.
[3] *Merriam Webster*, s.v. "entitlement," 2012.
[4] US Department of Commerce, Bureau of Economic Analysis, "National Data," Table 2.1, accessed June 29, 2016, http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&904=2014&903=58&906=a&905=2016&910=x&911=1.

that administer these transfers.) For a full half century, entitlement transfers were growing at an annual pace of about 9 percent a year. That tempo is of course exaggerated by concurrent inflation—but after adjusting for inflation, entitlement payments still soared more than 13-fold, with an implied average real growth rate of about 5.3 per annum between 1965 and 2015. Even after adjusting for inflation and population growth, real per capita entitlement transfers to individuals have octupled since 1965, an average implied pace of about 4.2 per annum.

From 1965 to 2015, real per capita income in America grew by a measured 2.1 percent per annum on average.[5] In other words, total entitlement payouts on a real per capita basis have been growing twice as fast as per capita income over the past 50, and well over twice as fast as the rest of US personal income. Thus in just 50 years, the share of entitlement transfers in overall US personal income nearly tripled, from about 6 percent to over 17 percent.

In 2015, the burden of entitlement transfers came to slightly more than $8,100 for every man, woman, and child in America. Scaled for a notional family of four, the average entitlements burden for that year alone would have exceeded $32,000. Remember: that payout required payment from others, through taxes, borrowing, or some combination of the two. (And remember as well: that estimate of financial burden does not include the considerable additional administrative costs of the programs in question.)

Entitlement Spending and the Revolution in the Structure of the American Government

Until about 1965, the accepted purpose of the federal government, in keeping with its constitutional charge, was governing. The federal government's spending patterns reflected that mandate. The overwhelming share of federal expenditures was allocated to defending the republic against enemies foreign and domestic (defense, justice, interest payments on the national debt) and some limited public services and infrastructural investments (the postal authority, agricultural extension, transport infrastructure, and the like). Historically, transfer payments did not figure prominently (or sometimes, at all) in our federal ledgers. All this, however, was about to change—and change radically.

In FY 1965, according to the Office of Management and Budget (OMB), federal entitlement program expenditures (that is, the transfers themselves plus the cost of administering them) accounted for somewhat more than a quarter (28 percent) of the federal government's total outlays—actually a little less than they had back in 1948. [See Figure 1] But then, in just a decade, the share of entitlement transfers in total federal spending shot up by 20 percentage points, hovering near the symbolic 50 percent mark. By the early 1990s, by the OMB's estimate, that threshold had been crossed—and by FY 2015, entitlement programs reportedly accounted for fully 72 percent of the federal government's total expenditures.[6] By FY 2015, in other words, all

[5] US Department of Commerce, Bureau of Economic Analysis, "Table 2.1. Personal Income and Its Disposition," accessed on June 26, 2012, http://www.bea.gov/iTable/iTableHtml.cfm?reqid=9&step=3&isuri=1&910=X&911=0&903=58&904=1929&905=2012&906=A.

[6] Office of Management and Budget, "Historical Tables," Table 6.1, https://www.whitehouse.gov/omb/budget/Historicals. Note that OMB and BEA NIPA estimates differ for the value of entitlement transfers, the share of entitlement transfers in federal expenditures, and other key measures. BEA

other responsibilities of the federal government—defense, justice, and all the other charges specified in the Constitution or undertaken in the intervening decades—made up just 28 percent of all federal budget outlays. [See Figure 2] Thus, in a very real sense, American governance has been literally turned upside down by entitlements—the meaning of "revolution"—within our lifetimes. A half century of extraordinary expansion of entitlement outlays has completely inverted the priorities, structure, and functions of federal administration as these had been understood and by all previous generations of American citizens. Indeed, the proportion of the national economy devoted to anything and everything aside from entitlements that the federal government undertakes has been slashed in half over the past half century; the fraction of the GDP given over to non-entitlement federal government expenditures plummeted from 13.2 percent in FY 1965 to 6.6 percent in FY 2015.[7]

The federal government is of course only one part of the overall US governmental structure: states and localities matter as well, and by constitutional design. Over the past 50 years, however, the exponential power of entitlement growth has come to match and now exceed all other current governmental functions. In calendar year 1965, according to BEA, current government consumption at all levels was nearly three times larger in magnitude than individual receipts from government transfer programs.[8] In calendar year 2015, for the first time, such personal expenditure receipt from entitlement transfers exceeded current government consumption expenditures, a proxy for general governance at all levels combined. [See Figure 3] Only when we add governmental investment projects into the mix do we see expenditures for everything else that government is doing in America very slightly outweigh entitlement transfer expenditures for the year 2015. [See Figure 4] But the balance has been shifting relentlessly, and if trends continue, personal entitlement receipts from government programs could soon be not only the largest single financial commitment of the entire US governmental apparatus but also a greater financial commitment than all other functions combined.

Entitlement Programs by Broad Category

The overall structure of government entitlement spending can be classified into just a few categories. US government budgeters divide these expenditures into six overall baskets: Income Maintenance, Medicaid, Medicare, Social Security, Unemployment Insurance, and all the others. [See Figures 5 and 6] Broadly speaking, the first two baskets attend to entitlements based on poverty or income status; the second two, entitlements attendant upon aging or old age status; and the next, to entitlements based on employment status. The first four of these entitlements accounted for 90 percent of total government transfers to individuals in 2014 (the most recent year for which BEA provides such a breakdown).[9]

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offers a methodological reconciliation of these differences. See US Department of Commerce, Bureau of Economic Analysis, "National Data," Table 3.18B, accessed June 29, 2016, http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&903=122.

[7] Office of Management and Budget, "Historical Tables," Table 14.5, accessed June 29, 2016, https://www.whitehouse.gov/omb/budget/Historicals.

[8] US Department of Commerce, Bureau of Economic Analysis, "National Data," Table 3.1, accessed July 29, 2016, http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&904=2014&903=86&906=a&905=2016&910=x&911=1.

[9] US Department of Commerce, Bureau of Economic Analysis, "Regional Data, SA35 Personal Current Transfer Receipts," accessed June 29, 2016,

By the BEA assessment, poverty or income-related entitlements—transfers of money, goods, or services, including health care services—accounted for over $750 billion in government outlays in 2014. These antipoverty or safety net benefits, however, comprised less than a third of overall transfer benefits that year. For their part, so-called "middle class" entitlements for older Americans—Medicare, Social Security, and other pension payments—amounted to over $1.4 trillion. And in purely arithmetic terms, the most astonishing growth of entitlements has been for health care guarantees based on claims of age (Medicare) or income (Medicaid). Until the mid-1960s, no such entitlements existed; by 2014, these two programs were absorbing much more than one trillion dollars a year billion.

The Rise in Entitlement Transfers in US Personal Income and in the Share of Entitlement Recipients in the American Population

As a purely arithmetic proposition, the dramatic increase in entitlement expenditures necessarily meant that the role of entitlements in US economic life had to rise: perforce with respect to share of personal income, and most likely as well with respect to the proportion of population in homes seeking and accepting such benefits as well. On both counts a sea change has taken place over the past half century.

As noted already, BEA estimates the share of entitlement program transfers in US personal income nearly tripled between 1985 and 2015. Figures 7 and 8 detail one aspect of that change: the rise in the average share of personal income derived from government transfer benefits around the country over a 40-year period. These graphics were commissioned by the *New York Times* in conjunction with a major article on the prevalence of entitlement dependency in middle-class America,[10] and they present even more detail in the interactive online version.[11]

According to this work, relying on data from the Bureau of Economic Analysis (BEA) and the Census Bureau, the share of government transfer benefits in overall personal income for the nation as a whole rose from under 8 percent to almost 18 percent in the four decades between 1969 and 2009. (To be sure—2009 was an unusually bad year for the American economy, and that ratio was very slightly lower for 2015—but the long-term trend, decade by decade, was unmistakably upward.)

By 2010, the populations of many US counties were deriving more than 40 percent of personal income from government transfers to individuals and related entitlement benefits. But interestingly enough, in 2010 the most extreme county-level dependence on government transfers tended to be in rural areas rather than urban ones, and in red states rather than blue

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http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=6#reqid=70&step=30&isuri=1&7022=7&7023=0&7024=non-industry&7033=-1&7025=0&7026=00000&7027=2014&7001=47&7028=-1&7031=0&7040=-1&7083=levels&7029=7&7090=70. Note that BEA estimates are on a calendar year basis unlike US government budget estimates, which are for October 1–September 30 fiscal years. Note also that at this writing, 2014 is the most recent calendar year for which BEA has reported a detailed breakdown on government entitlement transfers to individuals.

[10] Binyamin Appelbaum and Robert Gebeloff, "Even Critics of Safety Net Increasingly Depend on It," *New York Times*, February 11, 2012, http://www.nytimes.com/2012/02/12/us/even-critics-of-safety-net-increasingly-depend-on-it.html.

[11] Jeremy White et al., "The Geography of Government Benefits," *New York Times*, February 11, 2012, http://www.nytimes.com/interactive/2012/02/12/us/entitlement-map.html.

states. According to the estimates by the aforementioned *New York Times* team, in fact, two-thirds of the 100 most dependent counties in America broke for the Republican rather than the Democratic candidate in the 2008 presidential election.[12] Thus we can see another particularity of daily life in many reaches of entitlement America: to wit, the methodical arrangement of personal affairs to draw growing support from public transfers by many of the very people who are unselfconsciously professing to prefer a smaller American government.

No less remarkable than the rising share of entitlements in US personal income is the dramatic change in the ratio of such transfers to overall personal consumption expenditures—the basket of goods and services that comprises the US living standard. In 1965, entitlement transfers were equivalent to about a thirteenth of all personal consumption in America; by 2015, it was up over a fifth of all personal consumption. [See Figure 9]

The explosive growth of entitlement outlays, as it happens, was accompanied by a corresponding surge in the numbers of Americans who would routinely apply for, and accept, such government benefits. Despite episodic attempts to limit the growth of the welfare state or occasional assurances from Washington that "the era of big government is over," the pool of entitlement beneficiaries has apparently grown almost ceaselessly. The qualifier "apparently" is necessary because, curiously enough, the government did not actually begin systematically tracking the demographics of America's "program participation" until a generation ago. Such data as are available, however, depict nothing less than a sea change over the past 30 years.

By 2012, the most recent year for such published figures at this writing,[13] Census Bureau estimates from the SIPP survey (Survey of Income and Program Participation) indicated that more than 150 million Americans, or a little more than 49 percent of the population, lived in households that received at least one entitlement benefit. [See Table 1] Since under-reporting of government transfers is characteristic for survey respondents, and since administrative records suggest the Census Bureau's own adjustments and corrections do not completely compensate for the under-reporting problem, this likely means that America has already passed the symbolic threshold where a majority of the population is asking for, and accepting, welfare-state transfers.

Between 1983 and 2012, by Census Bureau estimates, the percentage of Americans "participating" in entitlement programs jumped by nearly 20 percentage points: from just under 30 percent to just under 50 percent. One might at first assume that the upsurge was largely due to the graying of the population and the consequent increase in the number of beneficiaries of Social Security and Medicare, entitlement programs designed to help the elderly. But that is not the case. Over the period in question, the share of Americans receiving Social Security payments increased by less than 3 percentage points—and by less than four points for those availing

[12] Appelbaum and Gebeloff, "Even Critics of Safety Net Increasingly Depend on It."
[13] SIPP provides the longest single time series from which to track changes in the proportion of the US population receiving entitlement benefits (in the parlance of SIPP "participating in programs"). The most recently published data from SIPP are from the year 2012. Unpublished data from the year 2013 can also be accessed. A new SIPP wave commenced in 2014 but its results are not yet available. See US Census Bureau, "SIPP Introduction and History," http://www.census.gov/programs-surveys/sipp/about/sipp-introduction-history.html. Data on the proportion of the US population receiving means-tested benefits can be drawn from the Census Bureau's Annual Social and Economic Supplement (ASEC) for its Current Population Survey (CPS), but the most recent available figures here are for 2014, and these numbers may not be entirely comparable with the SIPP results.

themselves of Medicare. Less than one-fifth of that 20-percentage-point jump can be attributed to increased reliance on these two "old age" programs.

Overwhelmingly, the growth in claimants of entitlement benefits has stemmed from an extraordinary rise in "means-tested" entitlements. (These entitlements are often called "antipoverty programs," since the criterion for eligibility is an income below some designated multiple of the officially calculated poverty threshold.) By late 2012, more than 109 million Americans lived in households that obtained one or more such benefits—over twice as many as received Social Security or Medicare. The population of what we might call "means-tested America" was more than two-and-a-half times as large in 2012 as it had been in 1983. Over those intervening years, there was population growth to be sure, but not enough to explain the huge increase in the share of the population receiving antipoverty benefits. The total US population grew by almost 83 million, while the number of people accepting means-tested benefits rose by 67 million—an astonishing trajectory, implying a growth of the means-tested population of 80 persons for each 100-person increase in national population over that interval. The fraction of the American public in homes accepting at least one means-tested benefit, by these SIPP numbers, rose from about 19 percent in 1983 to over 35 percent by 2012.

In the mid-1990s, during the Clinton era, Congress famously passed legislation to rein in one notorious entitlement program: Aid for Families with Dependent Children (AFDC). Established under a different name as part of the 1935 Social Security Act, AFDC was a Social Security program portal originally intended to support the orphaned children of deceased workers; it was subsequently diverted to supporting children from broken homes and eventually the children of unwed mothers. By the 1980s, the great majority of children born to never-married mothers were AFDC recipients, and almost half of AFDC recipients were the children of never-married mothers. The program's design seemed to create incentives against marriage and against work, and it was ultimately determined by bipartisan political consensus that such an arrangement must not continue. So with the welfare reforms of the 1990s, AFDC was changed to Temporary Aid to Needy Families (TANF), and eligibility for benefits was indeed restricted. By 2012, the fraction of Americans in homes obtaining AFDC/TANF aid was less than half of what it had been in 1983.

The story of AFDC/TANF, however, is a one-off, a major exception to the general trend. Over the same three decades, the rolls of claimants receiving food stamps—a program that was officially rebranded the Supplemental Nutrition Assistance Program (SNAP) in 2008 because of the stigma the phrase had acquired—jumped from 19 million to 51 million. By 2012 almost one American in six lived in a home enrolled in the SNAP program. The ranks of Medicaid, the means-tested national health care program, increased by over 65 million between 1983 and 2012 and now include over one in four Americans. And while the door to means-tested cash benefits from the Social Security program through AFDC/TANF had been partly (though not entirely) closed, a much larger window for such benefits was simultaneously thrown open in the form of Supplemental Security Income (SSI), a program intended to provide income for the disabled poor. Between 1983 and 2012, the number of Americans in households receiving federal SSI more than sextupled; by 2012, over 20 million people were counted as dependents of the program.

All told, more than 35 percent of Americans were taking home at least some benefits from means-tested programs by 2012—nearly twice the share in 1983. Some may be tempted to blame such an increase on increasingly widespread material hardship. It is true that the American

economy in 2012 was still recovering from the huge global crash of 2008, and unemployment levels were still painfully high: 8.1 percent for the year as a whole. But 1983 was a recovery year for the US economy, too; the recession of 1981 and 1982 was the most severe in postwar American history up to that point, and the unemployment rate in 1983 was 9.6 percent, even higher than in 2012.

By the same token, although the official poverty rate was almost identical for the two years—the total population estimated to be below the official poverty line was 15.2 percent in 1983 and 15.0 percent in 2012—the proportion of Americans drawing means-tested benefits was dramatically higher in 2012. By 2012, there was no longer any readily observable correspondence between the officially designated condition of poverty and the recipience of antipoverty entitlements. In that year, the number of people taking home means-tested benefits was more than twice the number of those living below the poverty line—meaning a decisive majority of recipients of such aid were the non-poor. In fact, by 2012 roughly one in four Americans above the poverty line was receiving at least one means-tested benefit.

How could this be? America today is almost certainly the richest society in history, anywhere at any time. And it is certainly more prosperous and productive now (and in 2012) than it was three decades ago. Yet paradoxically, our entitlement state behaves as if Americans have never been more "needy." The paradox is easily explained: means-tested entitlement transfers are no longer an instrument strictly for addressing absolute poverty, but instead a device for a more general redistribution of resources. This is why there is no obvious correspondence over time between the percentage of America obtaining government means-tested benefits on the one hand, and either the official "poverty rate" or the national unemployment rate on the other. The latter fluctuate in accordance with the business cycle; the former rises almost steadily from one decade to the next. [See Figures 10 and 11]

The Male Flight from Work in the Entitlement Society

We may point now to a first of several apparently unintended consequences from the rise of the entitlement state worth briefly mentioning in this prepared statement. Put simply: the arrival of the entitlement society in America has coincided with a historically unprecedented exit from gainful work by adult men.

Figure 12 frames the dynamic. It outlines trends in the labor force participation rate—the ratio of persons working or seeking work in relation to the total reference population. [See Figure 12] From 1948 to 2015, overall labor force participation rate for American adults 20 and over rose—from about 59 percent to about 65 percent: this despite the 2008 crash.[14] But this arithmetic average is the confluence—really, a convergence—of two very different trends. Since 1948, the US female labor force participation rate has soared: from about 32 percent to almost 60 percent. But over those same years, the male labor force participation rate plummeted: from nearly 89 percent for 1948 to just under 72 percent for 2015 percent. Labor force participation rates for

[14] For the BLS data discussed here, see US Department of Labor, Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey," http://data.bls.gov/pdq/querytool.jsp?survey=ln.

men and women are closer today than ever before—not only because of the inflow of women into the workforce, but also because of the withdrawal of men.

Figure 13 helps us understand the phenomenon of the vanishing male worker in contemporary America. [See Figure 13] For American men 20 years of age and older, it depicts both the employment to population ratio and the labor force participation rate. The solid red area represents the "work rate" for men. The blue area represents the unemployed: those in the workforce, seeking employment, but without jobs. And the lightly shaded area above the blue represents those men who are neither working nor seeking work.

As may be seen, a terrible surge in unemployment commenced in 2008, with the paroxysms of the Great Recession. At its widest level in postwar history, i.e., in the year 2010, that gap amounted to 6.5 percent of the total male 20+ population. On the other hand, in the 60 years between 1948 and 2008—that is to say, before the subsequent crash, the male labor force participation rate fell by nearly 13 percentage points. In other words, male employment levels today have been depressed twice as much by the drop in the share of men seeking work as by the lack of work in the depths of the Great Recession for those seeking jobs. Between 1948 and 2015, the proportion of adult men who did not consider themselves part of the workforce has steadily risen: from under 12 percent then to over 28 percent now. That nearly 17 percentage point increase in the percentage of adult men neither working nor looking for work compares with the 3.6 percent of men of those same ages who in 2015 were out of work but looking for a job.

The decline in male labor force participation rates since the end of World War II, admittedly, do reflect in part the aging of American society. But that particular aspect of the overarching postwar male flight from work should not be overstated. In 1965, just 3.3 percent of civilian non-institutionalized American men between the ages of 25 and 54 did not count themselves as part of the country's workforce. Fifty years later, the corresponding share was over three times as high—11.7 percent

Americans still tend to regard themselves as a distinctively hardworking people, and in important respects hard facts do bear this out. Americans with jobs work much longer nowadays than their continental European counterparts: by the reckoning of Harvard's Alberto Alesina and his colleagues, in the early years of the 2000s, employed Americans were working an average of over 1,800 hours per year—20 to 25 percent longer than the average German or French worker, 35 percent longer than the average for Sweden, and almost 50 percent longer than counterparts in the Netherlands.[15] (Though Alesena et al. were examining the pre–2008 crash era, the pattern still holds today.) But these are averages for people actually at work. Paradoxically, labor force participation ratios for men in the prime of life are demonstrably *lower* in America than in Europe today.

The paradox is highlighted in Figure 14, which contrasts labor force participation rates for men in their late 30s in America and Greece. [See Figure 14] In America, as in most modern societies, men in their late 30s are the demographic with the very highest rates of labor force participation. And Greece, given its ongoing public debt and financial travails, may at the moment be a sort of

[15] Alberto F. Alesina, Edward L. Glaeser, and Bruce Sacerdote, "Work and Leisure in the U.S. and Europe: Why So Different?," in *NBER Macroeconomic Annual 2005*, eds. Mark Gertler and Kenneth Rogoff (MIT Press, 2006), Table 2, http://www.nber.org/chapters/c0073.pdf.

poster child for the over-bloated, unsustainable European welfare state (and not just by some on this side of the Atlantic). Be all that as it may, the fact is that a decidedly smaller share of men in their late 30s have apparently opted out of the workforce in Greece than in the United States of America. By 2003—well before the Great Recession—over 7 percent of American men in this age group were outside the workforce, as against fewer than 3 percent in Greece. Since then, that gap has only grown—in other words, the "flight from work" has evidently been even more pronounced in America than in Greece.

Nor is Greece an anomalous representative of European work patterns in this regard. Quite the contrary: according to the OECD's labor force statistics database, as of 2014 American men of prime working age (25–54) had lower labor force participation rates than all but one Western European state (Italy).[16] Europeans may take a great many holidays and vacations to the American eye—but the fact of the matter is that American men near the height of their powers are much more likely than their European brethren to go on *permanent* vacation.

Correlation is never causation—the fact that the great postwar decline in male work rates and labor force participation rates coincided with the mass exodus of adult men from jobs and work does not prove the later caused the former. What is indisputable, however, is that the latter helped to finance and facilitate the former.

The Rise of Disability Among Working-Age Americans in the Entitlement Society

In 1965, an average of just under one million erstwhile workers was receiving monthly federal payments for disability. On the eve of 2015 (December 2014), that total had skyrocketed to almost 9 million.[17] Thus the number of Americans collecting government disability payments from that particular program soared nine-fold over the 50 years between 1965 and 2015, and the ratio of former workers who were recipients of government disability payments to members of the economically active population ages 18 to 64 quadrupled over those years. In 1965 there were over 70 men and women in those age groups working or seeking employment for every person on SSDI disability; by 2013, the ratio was down to 16 to 1 and continuing to decrease. The ratios are even starker when it comes to paid work: in 1965, roughly 66 Americans were engaged in nonfarm employment for every officially disabled worker—but by 2015, there were just 15.

America's dramatic long-term rise in the proportion of working-age men and women designated as possessing entitlement-worthy disabilities is all the more remarkable when one bears in mind the tremendous improvements in public health between 1965 and 2015. Between 1965 and 2013 (the most recent such data available), according to the reckoning of the Human Mortality Database, overall life expectancy at birth in the United States increased by nearly nine years, and life expectancy at age 18 jumped by seven years (from 54.6 to 61.7). Over that same period, the odds of dying between one's 18th and 65th birthday fell markedly: from 24.3 percent to 13.9

[16] Organisation for Economic Co-operation and Development, "LFS by Sex and Age — Indicators," accessed June 30, 2016, https://stats.oecd.org/Index.aspx?DataSetCode=LFS_SEXAGE_I_R.
[17] Social Security Administration, "Annual Statistical Report on the Social Security Disability Insurance Program, 2014," November 2015, Table 1, https://www.ssa.gov/policy/docs/statcomps/di_asr/.

percent, or by well over two-fifths.[18] [See Figure 15] Furthermore, the automation of work and the rise of the service/information economy over those same decades made the daily routines of Americans ever less physically demanding. Wherefore then the four-fold rise in the proportion of working-age Americans on government-paid disability over the past half century?

Note that SSDI is only one of the government's disability entitlement programs today. SSI is another; there are also disability benefits available from the Veterans Administration and elsewhere. The US government apparently cannot provide data on the total number of working-age beneficiaries from its manifold disability entitlement programs. Nor are these programs regularly audited. Suffice it to say that in our effort to provide for the truly needy—for those who truly cannot work—our disability entitlement programs have also provided temptations for others to game the system. Absent rigorous audit, we cannot know how great those temptations have proved to be.

Deficit Finance of Middle Class Transfer Programs in the Entitlement Society

The American public has become increasingly broadminded about the propriety of tapping new sources of finance for supporting their appetite for more, immediate entitlements. Thus America seems to be gravitating toward taking entitlement-directed resources from a pool of citizens who can offer no resistance to such schemes: the unborn descendants of today's entitlement-seeking population.

As much may be seen in Figure 16, which contraposes government outlays for Social Security and Medicare against the federal budget deficit over the past four decades. [See Figure 16] There is an irregular but all too steady correspondence between those two quantities over the years in question. The federal deficit is an arithmetic difference between receipts and expenditures, and thus not program-specific. Yet to judge only by its performance specifics, one might be tempted to say that the purpose of the federal deficit in recent decades has in effect been to fund our "pay-as-you-go" entitlement programs. And although in theory there are "trust funds" for both Social Security and Medicare, the none-too-secret reality is that both of these programs have vast unfunded future liabilities today: on their current trajectories, the pressures for de facto deficit finance of the annual outlays for the recipients of these "middle-class entitlements" could increase appreciably in years to come.

To be clear: there are a number of perfectly good reasons for free peoples to run government deficits and thus contract public debt: these include providing for response to dire national emergencies or perhaps underwriting investment projects in potentially productive infrastructure. The wholesale financing of current public consumption through the device of obliging unborn Americans to cover those costs (plus interest), however, has not previously been characteristic of our democratic governance.[19] Irrespective of the economic implications of this

[18]The Human Mortality Database, "The United States of America, Life Tables," University of California, Berkeley and Max Planck Institute for Demographic Research, retrieved 26 July 26, 2012, http://www.mortality.org/hmd/USA/STATS/bltper_1x1.txt.

[19] A point made with both nuance and force in Christopher DeMuth, "Debt and Democracy," Legatum Institute, May 12, 2012, http://www.hudson.org/files/publications/debt_and_democracy_legatum.pdf.

insidious innovation, this new approach to entitlements necessarily means we will be leaving a very different heritage of mores to our legatees from that we inherited from our forebears.

Crowding Out Defense and National Security in the Entitlement Society

Unlike entitlement payments, which are nowhere mentioned in the Constitution, the US Constitution expressly establishes national security, and the maintenance of the armed forces to provide for "our common defense," as a prime responsibility for the American state. Recall that the president's first (and thus foremost) enumerated power under the Constitution is in his role as commander in chief (Article II Section 2).

A healthy measure of informed public skepticism toward any and all proposed military expenditures is not only suitable, but essential for open democratic societies. A free people, after all, will jealously guard against impingements upon their liberties—including those arising from excessive, wasteful, or unwise outlays in the name of national defense.

But the days in which the "national security state" arrogated more public resources than the welfare state are long past. US government outlays on entitlements do not merely exceed those for defense nowadays: they completely overshadow defense outlays.

In 1961, the year of Eisenhower's "military-industrial complex" admonition, America was devoting close to two dollars on defense for every dollar it provided in domestic entitlement payments.[20] Up to that point, defense expenditures had routinely exceeded any and all allocations for social insurance and social welfare throughout American history.[21] But in 1961 a geometric growth of entitlement payments was just commencing. Thanks to the unrelenting force of that spending surge, government transfer payments to individuals would surpass defense spending in just a decade—in 1971, in the midst of the Vietnam War. And for the following 40-plus years, entitlements have continued to surpass defense expenditures, and by progressively widening margins. By the year 2010, America was spending well over three times as much on transfer payments as on its entire national security budget—notwithstanding active overseas military campaigns in both Iraq and Afghanistan at that time. [See Figure 17]

America's ramp-up of military outlays in the years since the 9/11 attacks is well-known. Much less widely known is the fact that this massive upsurge in military spending was more or less eclipsed by the enormous increase in spending on domestic entitlements over those same years. Between FY 2001 and FY 2010, the share of GDP allocated to defense increase by 1.9 percentage points. Over that same period the share devoted to entitlement programs increased by 5.4 percentage points—or almost three times as much. The magnitude of the upsurge in military spending over those years was widely discussed over those same years, and often decried as being

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[20] $49.6 billion vs. $29.5 billion (in current dollars). Defense spending from US White House Office of Management and Budget, "Historical Tables, Table 3.1: Outlays by Superfunction and Function, 1960-2017," http://www.whitehouse.gov/omb/budget/Historicals. Government transfers to individuals from Bureau of Economic Analysis, "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.

[21] There had been exceptions to this generalization—pension payments for veterans exceeded defense budgets in the period after the Civil War, for instance—but they were just that: exceptions.

"unaffordable." Curiously, considering the magnitude of the quantities involved, the great simultaneous leap in entitlement spending did not seem to attract similar critical public attention.

But why, exactly, should America's military commitments have been regarded by so many as "unaffordable" then—or for that matter, now?

In FY 2010, the national defense budget amounted to 5 percent of current GDP. As a fraction of US national output, our "military burden" was thus lower in 2010 than in almost any year during the four-plus decades of the Cold War era. In FY 1961—the year of Eisenhower's "military-industrial complex" address—the ratio of defense spending to GDP was 9.6 percent[22]: in other words, almost twice as high as in FY 2010. Put another way: America's overall "military burden" was nearly twice as high in 1961 as in 2010.

Americans may have deemed our defense commitments in 2010 to be ill-advised, poorly purchased, or otherwise of questionable provenance—but as a pure question of "affordability," the US is in a better position to "afford" our current defense burden than at virtually any time during the Cold War era. By FY 2015 our military burden was 3.6 percent of GDP—near historic postwar lows—while federal spending for entitlement programs equaled 14.9 percent of GDP. For every dollar for defense and national security, the US government is currently providing over four dollars for entitlement programs.

Here apparently is another unintended consequence of the entitlement state: given the insatiable appetite for further transfers and benefits, broad political coalitions predictably agitate for increases in social welfare spending at the expense of defense spending—no matter how high the former or low the latter. (The welfare states in modern Europe may be seen as harbingers in this regard.)

Concluding Comments

The worldwide spread and growth of the social-welfare state seem strongly to suggest that there is a universal demand today for such services and guarantees in affluent, democratic societies. Given the disproportionate growth almost everywhere of entitlements in relation to increases in national income, it would seem that voters in modern democracies the world over regard such benefits as "luxury goods." In one sense, we might therefore say there is nothing particularly special about the recent American experience with the entitlement state. But there may be reason to think that the entitlement state is especially poorly suited for a nation with America's particular political culture, sensibilities, and tradition.

To date the American voter's appetite for entitlement transfers appears to be scarcely less insatiable than those of voters anywhere else. Our political leadership, for its part, has no stomach for taking the lead in weaning the nation from entitlement dependence. Despite tactical, rhetorical opposition to further expansion of the entitlement state by many voices in Washington, and firm resistance by an honorable and principled few, collusive bipartisan

[22] US White House Office of Management and Budget, "Historical Tables, Table 3.1."

support for an ever-larger welfare state is the central fact of politics in our nation's capital today, as it has been for decades.

Until and unless some sort of forcing financial crisis suddenly restricts the resources available to it, continued growth of the entitlement state looks very likely in the years immediately ahead—and at this writing I myself can see no such forcing crisis on the horizon. If that prognosis is correct, we may expect the inadvertent consequences of the rise of our entitlement state to become still more acute in coming years.