

BACKGROUND

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U.S. Government Increases National Debt—and Keeps 128 Million People on Government Programs

Patrick D. Tyrrell and William W. Beach

Abstract

Between 1988 and 2011, the amount of the U.S. population that receives assistance from the federal government grew by 62 percent. That means that more than 41 percent of the U.S. population is enrolled in at least one federal assistance program. To make matters worse, per capita expenditures on recipients are rising as well. In 2010, over 70 percent of all federal spending went to dependence-creating programs. That growth is unsustainable, as baby boomers are now retiring every day and their entitlements cost more each year. The publicly held federal debt will exceed 100 percent of GDP in 2024. Such a high level of debt always hurts an economy—and the people who live in it. The time for Congress to reform dependence-creating government programs is now.

This paper, in its entirety, can be found at <http://report.heritage.org/bg2756>

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The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002
(202) 546-4400 | heritage.org

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The number of people receiving benefits from the federal government in the United States has grown from under 94 million people in 2000 to more than 128 million people in 2011. That means that 41.3 percent of the U.S. population is now on a federal government program. The 128 million is an estimate based on the recently released March 2011 U.S. Census Bureau Current Population Survey (CPS), which, due to the survey methodology, most likely undercounts the actual number.

Heritage Foundation calculations using the March 2011 CPS found the number of people who receive assistance from at least one federal program to be 128.8 million. Using the Census Bureau number for the U.S. population in July 2011, which was 311,591,917, at least 41.34 percent are federal government program beneficiaries.¹ While very few Americans would deny that the federal government should play a role in aiding those in need, this number doubtless qualifies as far too large, indicating that taxpayer dollars are going to those not in need as well.

Many of those who receive benefits from the federal government could live well without them, so they do not count as truly dependent on the federal government.² Warren

KEY POINTS

- The number of people receiving benefits from the federal government in the United States has grown from under 94 million people in 2000 to more than 128 million people in 2011.
- That means that 41.3 percent of the U.S. population now receives assistance from at least one federal government program.
- While very few Americans deny that the federal government should play a role in aiding those in need, this number is doubtless far too large.
- The growth rate of the number of people who are enrolled in a federal program far outpaces general population growth—and expenditures per enrollee have been rising as well.
- Congress would do well to remember that there are no free subsidies and benefits. The time for across-the-board entitlement reform is now.

Buffett is the beneficiary of a federal program—Social Security—but, since he does not rely on that income for his livelihood, he should not be considered dependent on government programs. Others depend on the programs for nearly all of their income, housing, health care, food, and other needs and so fall under the classification of truly dependent on the government. Still others are somewhere in between, depending on government financing for, say, college, but little else. Consequently, it is important to note that stating that 128.8 million people receive benefits from a government program does not mean that all of them are dependent on the government.

The Numbers

In the CPS, the Census Bureau surveys thousands of U.S. citizens and non-citizens living in the U.S. in randomly drawn monthly phone surveys. Together, the roughly 60,000 households surveyed are a representative cross section of the U.S. population. While the CPS is conducted each month, the March survey has the most detailed questions. Only the March CPS survey format contains a sufficient level of detail to count federal government program participants.

The responses to the March 2011 CPS have now been released, and these individual responses were sorted for this report. All of the data

were examined for responses by individuals who answered affirmatively that they were receiving benefits at the time of the survey. Based on their responses, Heritage created a new dataset from those who responded that they receive financial or in-kind benefits from at least one government program. By counting the individuals in that dataset, and using a weight assigned by the Census Bureau to each individual, the weighted number of people who depend on government programs was found.

The new dataset of people on government programs can then be further sorted to find out how many people say they are on a particular program. Here are some of the resulting numbers:

- 128,818,142 people are enrolled in at least one government program.
- 48,580,105 people are on Medicaid.
- 35,770,301 people receive their retirement income from Social Security.
- 43,834,566 people are on Medicare.
- 39,030,579 people are living in a household where at least one person accepts food stamps.
- 6,984,783 people are living in subsidized rental housing.

- 2,047,149 people are receiving a higher-education subsidy.

It is important to note that the above categories overlap; for example an individual may receive both subsidized rental housing and food stamps. The total number—128,818,142 people on at least one government program does not double count individuals, however.

The 128,818,142 figure for people enrolled in at least one program is surely an undercount: The CPS responses are well known to undercount those receiving Medicaid, Medicare, Social Security, State Children's Health Insurance, higher-education support, and Temporary Assistance for Needy Families.³

The undercount in higher-education subsidies may be the most important, because recipients of education subsidies are generally younger and not likely to be enrolled in other programs. Sorting the March 2011 CPS data shows that, of the two million people in the survey who responded that they receive higher-education subsidies, fewer than one half of 1 percent relied on Social Security retirement income; only 1.5 percent were also on Medicare; and only 16 percent received food stamps. The 2 million people who stated they receive higher-education subsidies are assuredly much fewer than the actual number, since the number of people receiving Pell Grants alone in

1. U.S. Census Bureau, "National Characteristics: Vintage 2011," <http://www.census.gov/popest/data/national/asrh/2011/index.html> (accessed September 28, 2012), and U.S. Census Bureau, "National Characteristics: Vintage 2011," Table 3. Annual Estimate of the Resident Population by Sex, Race, and Hispanic Origin for the United States: April 1, 2010 to July 1, 2011, <http://www.census.gov/popest/data/national/asrh/2011/tables/NC-EST2011-03.xls> (accessed September 28, 2012).

2. Kevin Williamson states that "[t]oday 64 percent [of federal transfer payments] goes to the middle and upper classes, with the most growth at the higher end of the income spectrum." Kevin D. Williamson, *The Dependency Agenda* (New York, NY: Encounter Books, 2012), pp. 31-35.

3. Laura Wheaton, "Underreporting Means-Tested Transfer Programs in the CPS and SIPP," The Urban Institute, 2007, http://www.urban.org/UploadedPDF/411613_transfer_programs.pdf (accessed October 1, 2012).

2011 was 9.7 million.⁴ It is not known why the undercount in education subsidies is so large, but it is likely related to the weights the CPS uses to represent college students. Therefore, even counting only Pell Grant recipients would add millions to the low-ball estimate of 128.8 million total people who receive assistance from a government program.

Housing subsidies are also most likely undercounted. According to the March 2011 CPS, only 6,984,783 individuals live in subsidized rental housing. Other government data puts the number at 4,952,191 *households* in 2010, not individuals.⁵ Again, the weights used in the survey may contribute to the shortfall.

Growth in Number of People on Government Programs Over Time

The rate of growth in the number of people who are enrolled in a federal program far outpaces general population growth. (See chart.) In fact, an analysis of the March 2011 CPS responses going back to 1988 reveals that the number in March 2011 (128,818,142) is 62 percent higher than it was in March 1988 (79,592,924). Meanwhile, the U.S. population has grown only 27 percent since that year. In other

words, the number of people who are enrolled in at least one federal program has grown more than two times faster than has the U.S. population. That growth is unsustainable as baby boomers are now retiring every day, and their entitlements cost more each year. The publicly held federal debt will exceed 100 percent of gross domestic product (GDP) by 2024.⁶ Such a high level of debt always slows an economy.⁷ One need look no further than the current situations in Greece, Italy, or Spain to see what high levels of national debt do to a country's economic health. The European Union now faces a recession because of the debt its members owe. Shrinking economies are bad for everyone who lives in them, but they especially hurt the young, who have much higher rates of unemployment than older workers.⁸ Shrinking economies make it even harder for young workers to find jobs. Their very futures are the ones in peril because of that debt.

While the number of people on a federal program has grown too fast, the average amount spent per capita has greatly outpaced even that level. (See chart.) The Heritage Foundation's Index of Dependence on Government has been released

annually since 2002. It tracks the amount of money that is spent on federal-assistance programs.⁹ The data is in constant 2005 dollars, meaning that the amount spent increases or decreases due to government policies, not inflation. Between 1988 and 2011, spending on dependence-creating federal government programs has increased 180 percent,¹⁰ versus "only" a 62 percent increase in the number of people who are enrolled in federal government programs, and a 27 percent increase in the population. Not only are more people enrolled in government programs than ever before, but more U.S. taxpayer dollars are being spent on each recipient every year.

What the Numbers Mean

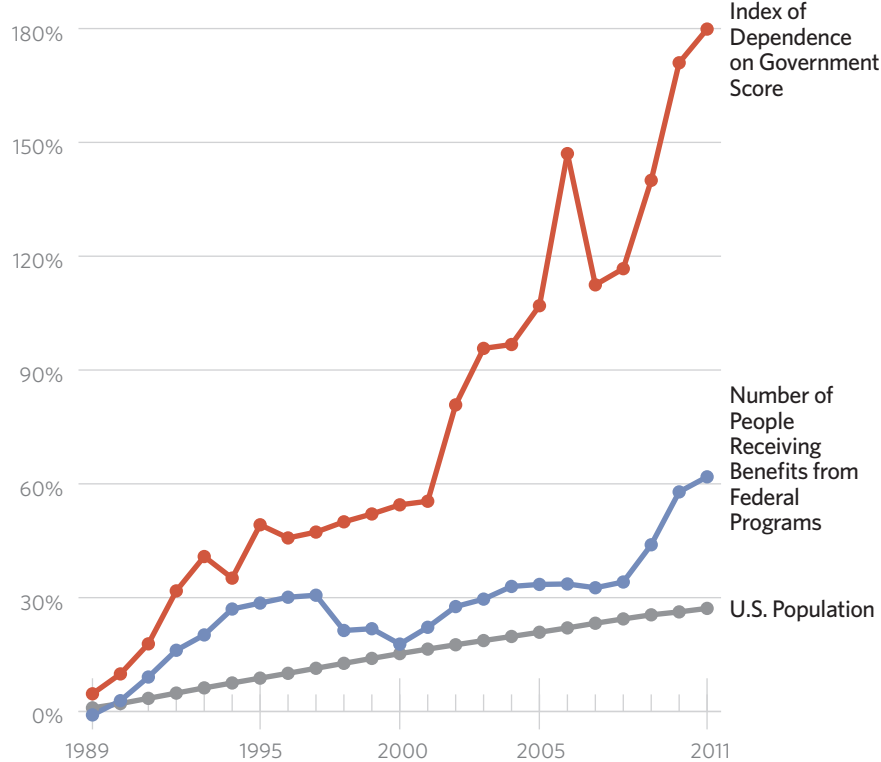
What these alarming numbers mean is that a large proportion of the people in the United States have two kinds of income: (1) money that they or their family have earned, and (2) money transferred to them from U.S. taxpayers through the vehicle of a federal government program. Those consuming the second kind count for over 128.8 million individuals—41.3 percent of the population. According to *Wall Street Journal* research, when counting the number of people who live in a household where at least one

4. U.S. Department of Education, "Fiscal Year 2013 Budget Summary and Background Information," 2012, p. 47, <http://www2.ed.gov/about/overview/budget/budget13/summary/13summary.pdf> (accessed October 1, 2012).
5. Center on Budget and Policy Priorities, "National Federal Rental Assistance Facts," April 15, 2011, <http://www.cbpp.org/files/4-13-11hous-US.pdf> (accessed October 1, 2012).
6. Romina Boccia, "CBO Report Echoes Trustees on Medicare, Social Security," Heritage Foundation *Issue Brief* No. 3638, June 14, 2012, chart 2, <http://www.heritage.org/research/reports/2012/06/cbo-long-term-budget-outlook-on-the-nations-fiscal-future>.
7. Carmen M. Reinhart and Kenneth S. Rogoff, *This Time Is Different* (Princeton, NJ: Princeton University Press, 2009), p. 129.
8. Diana Furchtgott-Roth, "How to Keep the Young Unemployed," MarketWatch.com, August 1, 2012, <http://www.marketwatch.com/story/how-to-keep-the-young-unemployed-2012-08-01> (accessed October 1, 2012).
9. William W. Beach and Patrick D. Tyrrell, "The 2012 Index of Dependence on Government," Heritage Foundation *Special Report* No. 104, February 8, 2012, <http://www.heritage.org/research/reports/2012/02/2012-index-of-dependence-on-government>.
10. David B. Muhlhausen and Patrick D. Tyrrell, "The 2013 Index of Dependence on Government," Heritage Foundation *Special Report*, forthcoming.

CHART 1

The Number of People in Federal Programs Has Grown Faster than the U.S. Population

PERCENT CHANGE SINCE 1988



Sources: David B. Muhlhausen and Patrick D. Tyrrell, "2013 Index of Dependence on Government," Heritage Foundation *Special Report*, forthcoming; Miriam King, et al., Integrated Public Use Microdata Series, Current Population Survey: Version 3.0 (machine-readable database), University of Minnesota, 2010; and Heritage Foundation calculations based on data from the U.S. Census Bureau.

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person is on a government program, the dangerous tipping point of half of all Americans is nearly reached,¹¹ at 49.1 percent.

If one person in a household receives federal assistance, it is often the case that all members of

that household do. This is certainly the case for food stamps: If a family shares meals and one of the relatives accepts food stamps, all members of that household are using those food stamps for part of their food.¹² If one person in a household receives a rent

subsidy, everyone who lives in the home is a recipient.

The Clock is Ticking

The time to reform dependence-creating government programs is now. In 2010, over 70 percent of all federal spending went to dependence-creating programs.¹³ It went to subsidize the living expenses of over 128.8 million individuals in the U.S. in 2011, which was more than 41 percent of the U.S. population. When the percentage of those living in a household where at least one person is subsidized is calculated, the number tops 49 percent. The problem is too much government subsidizing, and too much transfer of wealth from taxpayers to those who pay fewer and fewer taxes. After all, government does *not* create wealth by spreading it around.

Congress would do well to remember that there are no free subsidies and benefits. The government today is borrowing from future taxpayers to pay the current government program enrollees. The game will soon be up as debt approaches 100 percent of GDP. The United States should not owe 100 percent of all the goods and services produced in a year to its debtors. It is time for across-the-board entitlement reform so that the red ink does not drown America's babies as they grow older and seek out their vision of the American dream. It is time for elected officials to restore America's future for kids today who deserve to live in the great land of opportunity that America has been for the generations that came before them—instead of being bound

11. Phil Izzo, "Number of the Week: Half of U.S. Lives in Household Getting Benefits," *The Wall Street Journal*, *Real Time Economics* blog, May 26, 2012, <http://blogs.wsj.com/economics/2012/05/26/number-of-the-week-half-of-u-s-lives-in-household-getting-benefits/> (accessed October 1, 2012).
 12. Robert Rector and Katherine Bradley, "Reforming the Food Stamp Program," Heritage Foundation *Background* No. 2708, July 25, 2012, <http://www.heritage.org/research/reports/2012/07/reforming-the-food-stamp-program>.
 13. Beach and Tyrrell, "The 2012 Index of Dependence on Government."

to pay off a mountain of debt that they had no part in creating and that they should not have to face.¹⁴

—**Patrick D. Tyrrell** is Research Coordinator in the Center for Data Analysis, and **William W. Beach** is Director of the Center for Data Analysis, and Lazof Family Fellow in Economics, at The Heritage Foundation.

14. For the Heritage Foundation's plan to get the country out of debt, and save the American dream for all Americans, see Stuart M. Butler, Alison Acosta Fraser, and William W. Beach, eds., *Saving the American Dream: The Heritage Plan to Fix the Debt, Cut Spending, and Restore Prosperity*, The Heritage Foundation, 2011, <http://savingthedream.org/about-the-plan/plan-details/>.