



Written by [Michael Tennant](#) on October 25, 2018

Over Half of Americans Get More Cash From Washington Than They Pay

Ever wonder why, despite the fact that the U.S. government has a [national debt of \\$20 trillion and unfunded liabilities in excess of \\$100 trillion](#), politicians seem incapable of cutting federal spending? Consider this: According to [Ryan McMaken](#) of the Ludwig von Mises Institute, “More than half of Americans receive more money in various types of government transfer payments ... than they pay in federal taxes.”



McMaken’s contention is based on a [Congressional Budget Office \(CBO\) report](#) from earlier this year. It considers both social-insurance programs such as Social Security and Medicare and means-tested programs such as Medicaid and the Children’s Health Insurance Program, comparing the amount of money Americans in five income brackets, or quintiles, receive from these programs to the amount they pay in federal taxes.

The results are sobering. Only the top two income quintiles — the ones the Left insists the government helps most — suffer a net loss. The top quintile pays nearly \$64,000 more in taxes than it reaps in benefits, and the second-highest quintile pays almost \$5,000 more. The three lowest quintiles, meanwhile, get more than they pay. The lowest quintile pays almost no taxes but receives \$16,600 in benefits, while the second-lowest pays \$3,800 in taxes but gets \$17,700 in transfers. “In other words,” explains McMaken, “the top two income quintiles are subsidizing the bottom three, and the advantage, proportionally speaking, gets larger as income goes down.”

Of course, these are only averages, and at the level of the individual family, the actual amounts can vary significantly. This may be especially true among the middle quintile, McMaken points out, noting that the major middle-class subsidies, Social Security and Medicare, don’t apply to all families in that income bracket. Those households that are not currently receiving these benefits will eventually collect them, however, and as long as those programs continue paying at current rates, “they’re likely to receive more in benefits than what they ‘paid in,’” he writes.

The political implications of this state of affairs are obvious. “Since many households at both the lowest end and near the middle receive more in benefits than they pay in taxes, we end up with a situation in which the voters think tax cuts don’t benefit them much — but spending cuts definitely *do* hurt them,” observes McMaken. “Thus, the political outcome is one in which there is plenty of political pressure to maintain spending levels — or increase them — while tax cuts aren’t as popular.”

Moreover, even among voters in the middle quintile, old-age benefits are a significant deterrent to slashing spending. Senior citizens are among the most reliable voters in the country. In the 2016 presidential election, 71 percent of Americans over 65 voted, while only 46 percent of 18- to 29-year-olds did. “While analysts point to increased energy among younger voters over the past couple of elections, people over 65 continue to show up at the polls far more than any other age group,” notes [AARP](#). “At the same time, the number of voters who fall into the category of ‘older’ keeps rising.” This is



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why Social Security has long been considered the “third rail” of American politics — touch it and you die — and why President Donald Trump felt the need to [stick up for Medicare](#) recently.

Given the political pressure to continually hike spending on transfer payments, it comes as no surprise that such payments make up an increasingly large proportion of Americans’ total income. From 1979 to 2014, the period covered by the CBO report, transfers increased in proportion to market income for all quintiles. “As of 2014,” pens McMaken, “transfers by this measure were at an all-time high for the second-to-lowest quintile, and were near an all-time high for the lowest quintile,” which actually gets more of its income from the government than from market activity. This, in turn, bolsters voters’ resistance to spending cuts, perpetuating the cycle.

“When the people find that they can vote themselves money, that will herald the end of the republic,” someone ([probably not Benjamin Franklin](#)) once said. The Republic may not be in its final stages yet, but unless the federal government is returned to its proper, constitutional size and scope, it surely cannot endure for another two centuries.



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