

Opinion: What Does Government Do?

by John Merline, Opinion Editor, www.aolnews.com, Feb. 19, 2011

Pop quiz. What's the biggest single job the federal government undertakes?

National defense? Nope.

Homeland security? Wrong.

Transportation? Not even close.

Law enforcement? No way.

Education? Getting colder.

Foreign aid? Are you kidding?

Nope, the biggest single thing the federal government does these days is ... cut checks.

Lots and lots and lots and lots of checks that go to individual citizens -- \$2.3 trillion worth last year alone.

In fact, according to a table buried deep inside the little-noticed [Historical Tables](#) volume of the White House's 2012 budget, these "direct payments to individuals" accounted for more than two-thirds of federal spending in 2010. That's a post-war high. Source: Office of Management and Budget, FY 2012 Budget

And that share has been steadily climbing. Payments to individuals accounted for 2.4 percent of all federal spending in 1945. By 1980 it has risen to 47 percent, and in 1992 it crossed the 50 percent mark. (See first chart.)

Where does all this money go? More than half goes to seniors through Social Security and doctors and hospitals providing Medicare benefits. Only about 38 percent goes to the poor. And the rest of the payments end up with farmers, students, the unemployed, those looking for retraining help, veterans and other

select groups.

And the biggest of these direct payment programs -- Social Security, Medicare and Medicaid -- are also the fastest growing in the federal budget.

[chart omitted]

Source: The Tax Foundation, based on IRS data

At the same time, the federal government increasingly relies on fewer and fewer taxpayers to cover its costs.

In fact, according to the IRS, which collects such data, the share of income taxes paid by the richest 1 percent almost equals the share of income taxes paid by the bottom 95 percent. Today, roughly a third of those who file a tax return don't pay any federal income tax at all, or get more in refundable tax credits than they pay in taxes. (In 1985, only 18 percent fell into this camp, according to the [Tax Foundation](#).)

When you put these two trends together, what you find is that the federal government has over the years essentially turned into a gigantic wealth-transfer machine -- taking money from a shrinking pool of taxpayers and giving it out to a growing list of favored groups.

Now, depending on your political perspective, you could view this is a good thing or a bad thing.

But whatever your view, this situation will make getting the federal budget under control increasingly difficult, since it will invariably involve pitting those writing checks against those cashing them.