US Govt Payouts make up more than 1/3 of all Wages

Tuesday, 08 March 2011

Government payouts—including Social Security, Medicare and unemployment insurance—make up more than a third of total wages and salaries of the U.S. population, a record figure that will only increase if action isn't taken before the majority of Baby Boomers enter retirement.

Even as the economy has recovered, social welfare benefits make up 35 percent of wages and salaries this year, up from 21 percent in 2000 and 10 percent in 1960, according to TrimTabs Investment Research using Bureau of Economic Analysis data.

"The U.S. economy has become alarmingly dependent on government stimulus," said Madeline Schnapp, director of Macroeconomic Research at TrimTabs, in a note to clients. "Consumption supported by wages and salaries is a much stronger foundation for economic growth than consumption based on social welfare benefits."

The economist gives the country two stark choices. In order to get welfare back to its pre-recession ratio of 26 percent of pay, "either wages and salaries would have to increase $2.3 trillion, or 35 percent, to $8.8 trillion, or social welfare benefits would have to decline $500 billion, or 23 percent, to $1.7 trillion," she said.

Last month, the Republican-led House of Representatives passed a $61 billion federal spending cut, but Senate Democratic leaders and the White House made it clear that had no chance of becoming law. Short-term resolutions passed have averted a government shutdown that could have occurred this month, as Vice President Biden leads negotiations with Republican leaders on some sort of long-term compromise.