Chapter 18

CHAPTER EIGHTEEN: SOCIAL WELFARE POLICY-MAKING

PEDAGOGICAL FEATURES

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LEARNING OBJECTIVES

After studying this chapter, students should be able to:

- Examine the related concepts of income distribution and relative deprivation.
- Summarize how liberals and conservatives disagree about the conduct and impact of public assistance programs.
- Identify the three major types of taxes and show how each can affect citizens' incomes.
- Summarize the effects that social welfare programs have had on the day-to-day living conditions of groups of Americans, such as the poor, the young, and the elderly.
Differentiate between entitlement programs and means-tested programs.

Indicate the role that entitlements play in the U.S. budgetary system.

Identify the major American social welfare programs and the groups that benefit from them.

Contrast social welfare policy in the United States with that of other major Western democracies.

Trace the evolution of America's social welfare programs, with emphasis on the role of the Great Depression.

Examine intergenerational equality issues that stem from the disparity in public dollars spent on the elderly as contrasted with public funds spent on children.

Compare and contrast the views of recent presidents of both political parties toward social welfare expenditures.

Explain why policy-making in the United States is very incremental in nature.

Examine the relationship between social welfare policy and the scope of government.

CHAPTER OVERVIEW

INTRODUCTION

The vast differences in the wealth and income of citizens in the United States raise a host of questions related to why such differences exist and what the appropriate policy response should be. Social welfare policies attempt to provide assistance and support to specific groups in society.

THE SOCIAL WELFARE DEBATE

Many Americans equate social welfare exclusively with government moneys given to the poor. Yet the government gives far more money to the nonpoor than to people below the "poverty line." Some benefits (such as Medicare) may be provided regardless of financial need and are termed entitlements. Other benefits (such as food stamps and unemployment payments), are means-tested, provided selectively to those in particular need who meet specific eligibility criteria. This
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chapter emphasizes that these policies are determined as part of a political process, where some interests are represented more than others.

INCOME, POVERTY, AND PUBLIC POLICY

The concept of income distribution describes the share of national income earned by various groups in the United States. The distribution of income across segments of the American population is quite uneven. Income is the amount of money collected between any two points in time (such as a week or a year); wealth is the amount already owned (such as stocks, bonds, bank accounts, cars, and houses). Studies of wealth display even more inequality than those of income.

The sense of relative deprivation is becoming the common experience of a growing number of Americans. The census lists Americans' median family income in 1999 as $38,900, but there is also a great deal of poverty.

Poverty in America is concentrated among a few groups. Large percentages of some groups are poor, including African-Americans, Hispanics, young Americans, inner city residents, and rural residents.

The government spends one out of every three dollars in the American economy, and thus has a major impact on its citizens' wealth and income. In particular, there are two principal ways in which government can affect a person's income: government can manipulate incomes through its taxing powers, and government can affect income through its expenditure policies.

The best evidence indicates that the overall incidence of taxes in America is proportional, not regressive or progressive. This occurs because regressive state and local taxes are counterbalanced by more progressive federal taxes. Government spending policies can also affect a person's income. Benefits from government are called transfer payments because they transfer money from the general treasury to those in specific need. Government can also give an "in-kind payment," something with cash value that is not cash itself (such as food stamps or a low-interest loan for college education).

THE EVOLUTION OF AMERICA'S SOCIAL WELFARE PROGRAMS

For centuries societies considered family welfare to be a private concern. With the growth of large, depersonalized cities and the requirements of the urban workforce, government was impelled to take a more active role in social welfare support.

A major change in how Americans viewed government's role in providing social welfare came during the Great Depression. After the onset of the Depression in 1929, many Americans began to think that governments must do more to protect their citizens against economic downturns. In 1935, the federal government responded to this change by passing the Social Security Act, one of the most
significant pieces of social welfare legislation of all time. Other programs such as Medicare were added later.

The 1960s brought an outpouring of federal programs to help the poor and the elderly, to create economic opportunities for those at the lower rungs of the economic ladder, and to reduce discrimination against minorities. Many of these programs were established during the presidency of Lyndon B. Johnson (1963-1969), whose administration coined the term the "Great Society" for these policy initiatives.

The entitlement programs—aimed primarily at the elderly—had strong political support. Advocates of greater spending for poverty programs had a more difficult time. Poverty was closely tied to race issues in the minds of many people, and the poor were limited in their ability to form strong political bases from which to demand government help. Perhaps the most important element for the success of both program types was strong presidential leadership. President Johnson provided strong presidential commitment; he worked to rally the Congress, public opinion, and major interest groups behind him.

Likewise, it was the active leadership of a subsequent president (Ronald Reagan) that helped build coalitions to move American social welfare programs in a different direction. President Reagan chose to target poverty programs as one major way to cut government spending. This action served his own ideological beliefs of less government and more self-sufficiency. The president rallied public opinion and worked to create congressional coalitions to support these efforts. The Omnibus Budget Reconciliation Act (OBRA) of 1981 initiated many of the cuts President Reagan had sought, including substantial cuts in the AFDC program. Despite major changes, the basic outlines of the original programs persisted throughout the Reagan and Bush administrations.

In August 1996 President Clinton signed a welfare reform bill that was supported by congressional Republicans but was opposed by half of congressional Democrats. The major provisions of the bill included giving each state a fixed amount of money to run its own welfare program; requiring people on welfare to find jobs within two years or lose their benefits; and setting a lifetime maximum of five years on welfare. After welfare reform, they were known as Temporary Assistance to Needy Families (TANF), today’s name for the means-tested aid for the poorest of the poor. TANF benefits like AFDC are small and declining. It is too early to assess the implications of these policy changes for social welfare.

THE FUTURE OF SOCIAL WELFARE POLICY

The long-term sustainability of entitlement programs, particularly Social Security and Medicare, is a matter of much current debate. Indeed, as it stands now, the Social Security program is living on borrowed time. At some point – about 2038 unless something changes – payouts will exceed income. The issue of Social
Security awoke in the election of 2000, when Governor George W. Bush and the Republicans proposed diverting a small portion (the suggested figure was two percent) of Social Security contributions to private retirement funds.

The future of means-tested programs for the poor is another matter. Antipoverty programs have never been remotely as popular as programs for the elderly. The evidence that Social Security has lifted the elderly out of poverty is powerful. The evidence that antipoverty programs have lifted the poor out of poverty is mixed at best.

UNDERSTANDING SOCIAL WELFARE POLICY

In the social welfare policy arena, the competing groups are often quite unequal in terms of political resources. For example, the elderly are relatively well organized and often have the resources needed to wield significant influence in support of programs they desire. As a result, they are usually successful in protecting and expanding their programs. For the poor, however, influencing political decisions is more difficult. They vote less frequently and lack strong, focused organizations and money.

Although government benefits are difficult to enact, the nature of democratic politics makes it difficult to withdraw them once they are established. Tremendous pressures come from these supporters to keep or expand programs and to preserve them from elimination. These pressures persist even when the size and costs of programs seem to have grown beyond anything anyone might have originally envisioned.

Large government programs require large organizations to administer them. Past democratic conflicts and compromises in the social welfare policy area have given America a huge social welfare bureaucracy at all levels of government. The appropriate way to evaluate these administrative systems is not to focus on their scope or expense alone, but to weigh their scope and expense against the conduct of their mission, the goals and accomplishments of these programs, and the extent to which private non-governmental entities could realistically be depended on to help.

CHAPTER OUTLINE

I. INTRODUCTION
   A. The United States is a diverse nation whose citizens and groups achieve different levels of material success. The fact that these differences exist raises important public policy questions.
      1. What are the economic differences and why do they exist?
2. What roles should the government and the private sector play in helping those who are less fortunate?
3. What are the most effective government policies?

B. Social welfare policies attempt to provide assistance and support to specific groups in society.

II. THE SOCIAL WELFARE DEBATE

A. Social Welfare Policies.

1. Although social welfare programs have not ended poverty or reduced income inequality in America, these programs have produced substantial improvements in the day-to-day living conditions of many Americans.

2. Entitlement programs like Social Security and Medicare are the largest and most expensive social welfare programs in America. [see Table 18.2, which summarizes the major social welfare programs]
   a. The elderly are receiving more and better treatment as a result of Medicare, and Social Security payments keep many senior citizens out of poverty.

3. Means-tested programs aimed specifically at the poor—such as Medicaid and food stamps—are funded at much lower levels than non-means tested entitlement programs for the elderly.
   a. Means-tested programs help a lot of poor Americans escape some of the ravages of poverty.
   b. Even though the expenditures for these poverty programs are substantially less than those provided for entitlement programs, they have raised many of the poor above the official poverty line.

III. INCOME, POVERTY AND PUBLIC POLICY

A. Who's getting what.

1. The concept of income distribution describes the share of national income earned by various groups in the United States.
   a. The distribution of income across segments of the American population is quite uneven.
   b. During the 1960s and 1970s there was relatively little change in the distribution of income in America.
   c. The 1980s were a period when the rich got richer and the poor got poorer, with income and wages distributed more unequally among working people.

2. Income is the amount of money collected between any two points in time (such as a week or a year); wealth is the amount already owned (including stocks, bonds, bank accounts, cars, and houses).
   a. Studies of wealth display even more inequality than those of income, with the top one percent of the wealth-holders currently possessing about 37 percent of all American wealth.

B. Who's at the bottom? Poverty in America.
1. To count the poor, the U.S. Bureau of the Census has established the **poverty line**, which takes into account what a family would need to spend to maintain an "austere" standard of living (defined in 1998 as an annual income below $12,803 for a family of three).

2. Poverty in America is concentrated among a few groups including African-Americans, Hispanics, young Americans, inner city residents, and rural residents.

3. Because of the high incidence of poverty among unmarried mothers and their children, experts on poverty often describe the problem today as the **feminization of poverty**.

C. How public policy affects income.

1. The government spends one out of every three dollars in the American economy, and thus has a major impact on its citizens' wealth and income.

2. In particular, there are two principal ways in which government can affect a person's income.
   a. Government can **manipulate income through its taxing powers**.
   b. Government can **affect income through its expenditure policies**.

3. Taxation.
   a. In general, there are three types of taxes; each can affect citizens' incomes in a different way.
      (1) A **progressive tax** takes a bigger bite from the incomes of the rich than from the poor (such as a progressive income tax that takes a higher percentage of income from the wealthy).
      (2) A **proportional tax** takes the same share from everyone, regardless of income or wealth (sometimes called a "flat rate" tax).
      (3) A **regressive tax** takes a higher percentage from the lower income levels than from the well-to-do (such as sales taxes, which are not overtly regressive but are regressive in effect).
   b. The best evidence indicates that the **overall incidence of taxes** in America is proportional, not regressive or progressive.
      (1) This occurs because **regressive state and local taxes** are counterbalanced by more **progressive federal taxes**.
      (2) At the national level, the wealthy are paying a good deal of the income taxes used to support many government policies, including poverty-related social welfare programs.

   a. The government can affect a person's income through its **spending policies**.
   b. Benefits from government are called **transfer payments** because they transfer money from the general treasury to those in specific need.
      (1) **Billions** of government checks are written every year, mostly to Social Security beneficiaries and retired government employees.
(2) Government can also give an "in-kind payment," something with cash value that is not cash itself (such as food stamps or a low-interest loan for college education).

c. Income inequality.
   (1) It is clear that many are better off after these transfers than before (particularly the elderly); many of the poor have been raised above the poverty line by these cash and in-kind transfers.
   (2) There is little evidence that transfer programs have significantly redistributed income in America or created greater income equality.

IV. THE EVOLUTION OF AMERICA’S SOCIAL WELFARE PROGRAMS
   A. For centuries societies considered family welfare to be a private (not a public) concern.
      1. After the turn of the century, America and other industrialized societies recognized the breakdown in family-based support networks.
      2. With the growth of large, depersonalized cities and the requirements of the urban workforce, government was impelled to take a more active role in social welfare support.
      3. A major change in how Americans viewed government's role in providing social welfare came during the Great Depression.
   B. The New Deal and the elderly.
      1. After the onset of the Great Depression in 1929, many Americans began to think that governments must do more to protect their citizens against economic downturns.
         a. External circumstances beyond the control of individuals or their families began to be seen as major contributions to poverty and need.
         b. In 1935, the federal government responded to this change by passing the Social Security Act—one of the most significant pieces of social welfare legislation of all time; other programs such as Medicare were added later.
         c. The costs were shifted but not reduced; what citizens had paid for directly they now paid for in taxes.
         d. Nationally, there has been a redistribution of government benefits in favor of the elderly.
   C. President Johnson and the Great Society.
      1. The 1960s brought an outpouring of federal programs to help the poor and the elderly, to create economic opportunities for those at the lower rungs of the economic ladder, and to reduce discrimination against minorities.
      2. Many of these programs were established during the presidency of Lyndon B. Johnson (1963-1969), whose administration coined the term The "Great Society" for these policy initiatives.
a. Johnson initiated antipoverty programs, community development programs, Medicare, school-aid schemes, job-retraining programs, and a host of other public programs.

b. During this period, government revenues were still growing and budget deficits were low (although the Vietnam War eventually drained funds from Johnson's Great Society).

3. Public reaction.

a. The entitlement programs—aimed primarily at the elderly—had strong political support.
   (1) The elderly were a growing political constituency, important to both political parties.
   (2) Public opinion supported greater attention to the elderly.

b. Advocates of greater spending for poverty programs had a more difficult time.
   (1) Poverty was closely tied to race issues in the minds of many people, and the worst aspects of racial discrimination and segregation were still quite fresh.
   (2) The ability of the poor and their supporters to form strong political bases from which to demand government help was limited.
   (3) On the positive side, minorities and the poor were becoming a more important constituency in the Democratic party.

c. Perhaps the most important element for the success of both program types was strong presidential leadership.
   (1) President Johnson provided strong presidential commitment; he worked to rally the Congress, public opinion, and major interest groups behind him.
   (2) Likewise, it was the active leadership of a subsequent president (Ronald Reagan) that helped build coalitions to move American social welfare programs in a different direction.

D. President Reagan and limits to the Great Society.

1. Unlike Presidents Nixon, Ford, and Carter—who largely accepted and even expanded some portions of the programs initiated by Johnson—President Reagan took a very different view.
   a. Public support for some welfare programs was eroding, particularly among members of the traditional Democratic coalition.
   b. The growing demands of defense spending and entitlement programs for the elderly had increased government deficits and threatened to stifle economic growth.
   c. The vulnerability of the poor had not changed: their group bases of support were still smaller than those of the elderly.

2. Just as in the Johnson era, the major actor was the president.
   a. President Reagan chose to target poverty programs as one major way to cut government spending.
b. This action served his own ideological beliefs of *less government* and *more self-sufficiency*.
c. The president rallied public opinion and worked to create congressional coalitions to support these efforts.

3. The **Omnibus Budget Reconciliation Act (OBRA) of 1981** initiated many of the cuts President Reagan had sought, including substantial cuts in the AFDC program.
   a. The growth rates of many programs were reduced, benefits were slashed, program burdens were shifted to the states, and many previously eligible recipients were removed from the rolls.
   b. Despite major changes, the basic outlines of the original programs persisted throughout the Reagan and Bush administrations.

E. In August of 1996, President Clinton signed a welfare reform bill that received almost unanimous backing from congressional Republicans was opposed by half of congressional Democrats.

1. **The major provisions of this bill were as follows:**
   a. Each state would receive a fixed amount of money to run its own welfare programs;
   b. People on welfare would have to find work within 2 years or lose all their benefits; and
   c. A lifetime maximum of 5 years on welfare was set.

2. Opponents of the bill expressed fears that these changes would push at least a million innocent children into poverty; proponents countered by asserting that millions would be lifted out of the culture of dependency and given the incentive to make something of their lives.

V. **THE FUTURE OF SOCIAL WELFARE POLICY**

A. Welfare reform over the past two decades has focused attention on:

1. **The long-term sustainability of entitlement programs, particularly Social Security and Medicare, is a matter of much current debate. Indeed, as it stands now, the Social Security program is living on borrowed time.**
2. At some point – about 2038 unless something changes – payouts will exceed income.
3. The issue of Social Security awoke in the election of 2000, when Governor George W. Bush and the Republicans proposed diverting a small portion (the suggested figure was two percent) of Social Security contributions to private retirement funds.

B. The **evidence on how beneficial** the means-tested programs are is **mixed**.

1. A major study by Charles Murray argued that not only did the social programs of the Great Society and later administrations fail to curb the advance of poverty, they actually made the situation worse.
2. Murray maintained that these public policies discouraged the poor from solving their problems.
3. Conversely, many scholars criticized Murray’s argument and the decision to cut programs.
4. Economists David Ellwood and Lawrence Summers showed that not only was spending for the poor relatively limited in these programs, but that economic growth and recessions were responsible for much of the movement into and out of poverty during the post-1965 period.

C. Social welfare policy elsewhere.
1. American social welfare programs are more limited in scope than is the case in other democracies.
2. Other national governments and their citizens often take a different approach to the problems of poverty and social welfare than does the United States (such as comprehensive medical services provided through a National Health Service).
   a. Americans tend to see poverty and social welfare needs as individual rather than governmental concerns, while European nations tend to support greater governmental responsibility for these problems.
   b. Europeans often have a more positive attitude toward government, while Americans are more likely to distrust government action in areas like social welfare policy.
3. Taxes commensurate with the benefits of social policy are also commonplace in Western European nations, far exceeding those in the United States.

VI. UNDERSTANDING SOCIAL WELFARE POLICY
A. Democracy and social welfare.
1. Sorting out the proper balance between competition and compassion is at the heart of policy disagreements about social welfare programs.
2. In a democracy these competing demands are resolved by government decision makers.
   a. These decision makers are aligned with and pay allegiance to various groups in society.
   b. These groups include members of their legislative constituencies, members of their electoral coalitions, and members of their political party.
3. In the social welfare policy arena, the competing groups are often quite unequal in terms of political resources.
   a. The elderly are relatively well organized and often have the resources needed to wield significant influence in support of their programs.
   b. The poor vote less and lack strong focused organizations and money.
4. Although government benefits are difficult to enact, the nature of democratic politics makes it difficult to withdraw them once they are established.
   a. Policy-making in the United States is very incremental in nature, building on past policies.
b. Tremendous pressures come from supporters to keep or expand programs and to preserve them from elimination.

B. Social welfare policy and the scope of government.
1. Past democratic conflicts and compromises in the social welfare policy area have given America a huge social welfare bureaucracy at all levels of government.
2. Large government programs require large organizations to administer them.
   a. The appropriate way to evaluate these administrative systems is not to focus on their scope or expense alone, but to weigh their scope and expense against the conduct of their mission, the goals and accomplishments of these programs, and the extent to which private non-governmental entities could realistically be depended on to help.
   b. With limited financial resources and a growing national debt, choices will be even more difficult to make in the future.

**KEY TERMS AND CONCEPTS**

**Earned Income Tax Credit**: a "negative income tax" that provides income to very poor individuals in lieu of charging them federal income taxes.

**Entitlement programs**: government benefits that certain qualified individuals are entitled to by law, regardless of need.

**Feminization of poverty**: the increasing concentration of poverty among women, especially unmarried women and their children.

**Income distribution**: the share of national income earned by various groups in the United States.

**Income**: the amount of money collected between any two points in time.

**Means-tested programs**: government programs available only to individuals below a poverty line.

**Poverty line**: official statistic indicating what a family would need to spend to maintain an "austere" standard of living.

**Progressive tax**: takes a higher percentage from the rich than from the poor.

**Proportional tax**: takes the same percentage from rich and poor.
Regressive tax: takes a higher percentage from the poor than from the rich.

Social welfare policies: attempt to provide assistance and support to specific groups in society.

Tax incidence: the proportion of income a particular group pays in taxes.

Temporary Assistance to Needy Families: once called "Aid to Families With Dependent Children," the new name for public assistance to needy families.

Transfer payments: benefits from government where money is transferred from the general treasury to those in need.

Wealth: the amount already owned.

**TEACHING IDEAS: CLASS DISCUSSION AND STUDENT PROJECTS**

- American social welfare programs are more limited in scope than is the case in other democracies. Divide your class into three or four research groups, and assign a country (including the United States) to each group. Ask each group to review current social welfare policies of the assigned nation. The group should focus on social welfare policies, but should also go beyond the "obvious" and look at advantages and disadvantages of the system. For example, what effect has the system had on the budget, and what is the level of taxation? One member of each group should be expected to give a brief presentation in class the following week outlining the research group's conclusions.

- You Are the Policymaker: Should Welfare Recipients Be Allowed to Save for Their Children’s Education? asks students to assume the role of the policymaker and decide whether welfare mothers should be allowed to save for their children's education without losing welfare benefits. Ask your class to review this feature and then write a brief essay expounding the position they would take if they were the policymakers with authority to set rules for this type of case.

- One of the major policy accomplishments of President Clinton, working with a Republican-controlled Congress under House Speaker Newt Gingrich in the early 1990s was the reform of the social welfare system. Ask students to document the specific changes made to welfare programs in the United States. Then assign each student, or students working in groups, to use both the library and the Internet to determine how the states have responded to their new responsibilities. Is the new system better? In what ways?
For a reading and writing connection, have students write an essay where they must identify and investigate the number of transfer payments they have benefited from either as direct payments or as benefits in-kind. Then have students evaluate the importance of each of these benefits to the successes or failures they have experienced personally. Finally, have students suggest what they would have to do if these services were not available to them when they needed help.

Develop a writing assignment that requires students to interview a social welfare professional OR an individual currently or recently living in poverty. Have students describe the nature of poverty from either of these perspectives. How does it differ from what they expected?

Have students develop a working budget for a family of three living at the poverty line. Conduct a class discussion which contrasts these budgets with students’ current lifestyles.

**BACKGROUND READING**


**MEDIA SUGGESTIONS**

*America in the Thirties: Creating the Safety Net.* This program examines the origins of the New Deal programs and the psychological and legislative impact of presidential leadership by Franklin Roosevelt. Films for the Humanities and Sciences.
