# Social Policy

**Social policy** determines the size and scope of the American **social welfare system**. The programs included within the social welfare system are also referred to as an economic and social **"safety net."** The United States became a welfare state in the early and mid-20th century in response to industrialization, the Great Depression, and the politics of the post-war (WWII) period. While some criticize "welfare" in reference to specific programs, it is simply a fact that virtually every economically developed country in the world is a welfare state. Welfare states come in many varieties, with different possible kinds of government and economic systems. The United States is a **liberal democracy** with a **capitalist-market economy** and vast social welfare system. While the United States did not start out as a welfare state in the modern sense of the term, the promotion of the "general welfare" was accepted as a basic concern of government in the Preamble to the U.S. Constitution.

For much of the nation's history, social services were provided by **private charity**, either from wealthy individuals or religious institutions. The government was not directly involved in providing food, housing, medical treatment, and other services or assistance for those in need. This minimalist approach to social policy was consistent with the overall ***laissez-faire*** approach to the economy. Throughout the 19th century, the federal and state governments did little to protect workers, consumers, or even small businesses from the power of larger corporations. The industrialization of American society brought not just monopolization or dangerous working conditions, but also many social ills in areas such as housing and health care. Some wealthy industrialists and politicians applied the *laissez-faire* economic approach to society by embracing a **"social Darwinist"** view of inequality and poverty as simply the natural and just results of competition. Others were more generous and believed in the **"gospel of wealth"** which argued that material success was a sign of God's favor and that the successful had a moral duty to provide charity for the less fortunate. Still others adhered to the **"social gospel"** which tended to call into question the excessive wealth of the **"robber barons"** and criticize the *structural* causes of inequality (*flaws* in the operation of the market and economy). While many wealthy industrialists became generous philanthropists and many churches organized charities to address hunger, homelessness, and medical needs, the funding and manpower supporting such efforts was always inadequate and inconsistent. Furthermore, these private efforts typically focused on the urban poor and failed to address social issues in rural areas.

Even when social services were provided by private charity, there existed a view that some people were **"deserving"** of assistance and others were **"undeserving."** In other words, many of the recipients of private charity were looked down upon and judged by those who were helping them unless they were orphans, widows, or disabled veterans. Healthy, working-age men were more likely considered to be "failures" rather than victims of market forces beyond their control, and the religious beliefs informing attitudes about wealth and poverty reinforced the notion that those in poverty only have themselves and their own failures (possibly moral failures) to blame. During the **Great Depression** in the 1930s, the perception of who the "deserving" and "undeserving" poor were became blurred and people began to see the marketplace as flawed with structural problems requiring government intervention and public assistance. The distinction between the "deserving" and "undeserving" still exists today and it impacts people's views about social policy.

While the United States didn't become a modern welfare state until the 1930s, the birth of the welfare state took place in late 19th century **Europe**. Unregulated industrial capitalism created the conditions for the development of the welfare state, but the rise (or threat) of **socialist movements** was the spur to create the welfare state. Workers in Europe's urban centers became increasingly organized around policies to change the structure of the economy and many governments began regulating capitalism's excesses and providing social insurance as a way to avoid violent revolution. In other words, the welfare state is the **middle-way** between unregulated capitalism and state-directed communism. Once it was accepted that the marketplace is flawed, governments began to regulate it and provide services and assistance when the marketplace harmed individuals. The first country to embrace the welfare state and the idea of social insurance was Germany. In the 1880s, Germany began to provide **accident insurance** for workers and **old-age pensions**. Other countries quickly followed Germany's lead and implemented additional reforms such as **minimum wage laws** and **health care insurance**. In 1911, Great Britain became the most progressive welfare state in the world by implementing national unemployment insurance, health insurance, and old-age pensions.

However, it is important to understand that one reason European countries were able to provide social insurance was due to the **overall economic growth** they were experiencing due to industrialization itself. The fact remains today that the welfare state, which aims to protect individuals from the marketplace, depends on economic growth to pay for the programs and services provided to individuals. Thus, social policy and economic policy are intertwined with each other and sometimes at odds. This is very much the case today in the United States where policymakers are tasked with preserving the existing welfare state, possibly expanding it to include things like **maternity care** or **subsidized day-care** and **higher education**, and achieving the economic growth necessary to pay for it all. Some argue that it is the welfare state itself that is preventing economic growth, but others point out that economic growth at the expense of social health and living standards would not be good either. In other words, "economic growth" would be very easy to achieve if we no longer cared about the working conditions, wages, health, and happiness of our citizens. The point of economic growth is to serve as a means to an end: a high quality of life. Economic growth is not an end-in-itself; the task is to find the right balance. The problem with American politics is that the two major parties fundamentally disagree about the degree to which the existing welfare state is preventing economic growth and whether the scope of the welfare state should be preserved, expanded, or reduced.

Social policy in the United States today has three main goals:

1. Protect against risk and insecurity (ex: unemployment, hunger)
2. Promote equal opportunity (ex: education)
3. Assist those in need (ex: housing, medical treatment)

The **New Deal**, implemented by Franklin Roosevelt and Democratic majorities in Congress, marked a significant transition in the role of government in social and economic policy. Some New Deal measures provided direct assistance to those in need, while others aimed to make it easier for workers to help themselves. The **National Labor Relations Act** protected workers' rights to form unions. The **Fair Labor Standards Act** established the first national minimum wage. The Federal Emergency Relief Administration provided direct federal grants to the states to help those in need. The **National Youth Administration** gave part-time jobs to unemployed young people up to the age of twenty-three. The most significant and long-lasting piece of legislation was the **Social Security Act of 1935**, which created a national system of **old-age pensions** for retired workers. A second component of Social Security was **survivors' benefits** for widows and children. A third component of Social Security was **unemployment insurance**, which the federal government directed the states to establish. The central idea of the welfare state and social insurance is to *protect individuals against risk*. Social Security protects individuals from poverty in old-age, protects spouses and children from poverty if the families' main source of income unexpectedly dies, and protects workers and their families who suffer unexpected job loss from sudden poverty. Roosevelt fully articulated his vision of what the American welfare state should achieve in his 1944 State of the Union address, in which he proposed a **"second bill of rights"** that would guarantee *economic* and *social* rights in the manner that the Bill of Rights protects political rights.

Roosevelt's successor, Harry Truman, attempted to build on the New Deal by promoting a national health insurance program, federal aid to public schools, and federal housing assistance. Truman was unsuccessful, in part, because national health insurance, like Social Security before it, was criticized by opponents as "socialism." Dwight Eisenhower, a Republican, accepted the basic premise of the welfare state initiated by the New Deal and even expanded the Social Security program. **Lyndon Johnson**, a "New Deal" Democrat, did more than any other president besides Roosevelt to create America's welfare state. Johnson wanted to create a **"Great Society"** to enhance the quality of life of all Americans and he initiated a **"War on Poverty."** During Johnson's presidency, the **Head Start** program was created to subsidize pre-K for low-income children, the **Elementary and Secondary Education Act of 1965** significantly increased federal subsidies to low-income public schools, and a permanent **Food Stamp** program provided nutritional support to low-income families (Food Stamp program is now called **Supplemental Nutrition Assistance Program**). Johnson was able to expand the welfare state by providing new health care programs to aid the elderly and the poor. **Medicare**, like Social Security, is a national program that benefits those over the age of sixty-five. Medicare helps the elderly pay for their medical needs in old-age. A separate program, **Medicaid**, provides assistance to low-income individuals who cannot afford or are unable to obtain health care insurance. It is important to note that while the United States now has a modern welfare state with Social Security and Medicare, the social insurance provided is not as far-reaching or generous as that provided in most other industrial democracies. Remember: welfare states come in different sizes, and *you get what you pay for*. Again, there is intense disagreement within the United States about spending on the welfare state. Some argue that social spending should be reduced, and the size of the welfare state with it (otherwise you have budget deficits), while others insist that social spending should be increased to provide new programs such as maternity leave (even if it requires raising taxes).

The growth of the welfare state during the 1960s ultimately led to a backlash. While Johnson's successor, Richard Nixon, made some important contributions to social policy by creating the Environmental Protection Agency, he was the first to attempt scaling the welfare state back. **Ronald Reagan** presided over significant tax cuts and welfare reforms that altered eligibility requirements and reduced benefits for many programs. However, welfare spending continued to *grow* during Reagan's presidency due to the growth in the number of poor people. In other words, while Reagan-era reforms were making some people ineligible for welfare programs, poverty caused by other reforms led new people to claim benefits. Even while individual benefits were being cut or reduced, total government spending on benefits was increasing. The trend towards reducing welfare benefits continued under **Bill Clinton** as the federal government significantly reformed the **Aid to Families with Dependent Children (ADFC)** program, which provided cash assistance to low-income families. ADFC benefits are commonly referred to as **"welfare"** and are viewed by some as an unnecessary or undeserved **"handout"** from the government. The use of the term "welfare" in reference to ADFC benefits and the broader goals of the welfare state are often confused and people will criticize the welfare state and social welfare spending without fully realizing all that the welfare state encompasses. One common example is people who criticize the social welfare spending, but also oppose cuts in Social Security or Medicare. ADFC was transformed into a new program called **Temporary Assistance for Needy Families (TANF)** and was funded through federal **block grants** to the states as part of the **Personal Responsibility and Work Opportunity Reconciliation Act**. Bill Clinton also attempted to implement comprehensive health care reform that would achieve universal coverage. First Lady Hillary Clinton was put in charge of the reform effort for the executive branch, but comprehensive reform ultimately failed to pass Congress. However, a new program was created to provide health care insurance to children called the **State Children's Health Insurance Program (SCHIP).** The program is administered by the states with matching funds provided by the federal government and targets children living in poverty who do not qualify for Medicaid.

What is the difference, then, between social welfare programs such as Social Security, Food Stamps, and TANF? There are two basic types of social welfare programs: **contributory** and **non-contributory. Contributory** programs are the **social insurance programs** such as Social Security and Medicare. Individuals are forced to contribute to the funding of the program (through *payroll taxes*) and are then entitled to receive benefits from the program (everyone pays into the program now, everyone benefits from the program later). **Non-contributory** programs are the **means-tested welfare programs** such as Medicaid and SNAP. Individuals are forced to contribute to the funding of the program (through *income taxes*), but may never qualify for the benefits (everyone pays into the program now, only people who are eligible will receive benefits). The individuals who are eligible for the means-tested programs may also be exempt from *federal* income taxes due to their poverty, which means they may not be contributing to the funding of the program. In reality, a redistribution of wealth takes place when the income taxes of some earners are used to provide assistance to others who may have lower tax burdens. Some people are okay with the fact that some their tax dollars are used to provide assistance to those in need, while others resent it. Attitudes about who deserves help, perceptions about the effectiveness of the assistance, and political ideology (individualism, egalitarianism) all contribute to whether or not someone supports social welfare spending.

Just as there are misconceptions about social welfare programs, there are also misconceptions about social welfare spending. For example, some middle and high income earners assume that their tax dollars are primarily being spent on low income earners, or that social welfare spending in general favors the poor over the middle class. The reality is far more complex. Contributory programs such as **Social Security** and **Medicare** (which everyone pays into and everyone benefits from) account for **40%** of total federal spending, while non-contributory programs such as **Medicaid** and **SNAP** (which only benefits those who are eligible) account for **18%** of total federal spending. **Tax expenditures**, a commonly overlooked aspect of social welfare spending, benefit middle and high income earners much more than the poor. Overall, social welfare spending actually benefits the middle class more than the working class and/or poor. Yet, many middle and high income earners do not think of themselves as benefitting from social welfare spending because they equate it with means-tested welfare programs such as TANF, SNAP, and Medicaid. Still, even if someone recognizes that social insurance programs and tax deductions are a form of social welfare spending, they may still be opposed to the amount of money spent on means-tested programs. Obviously, an individual's opinion about means-tested programs is a personal matter, but it is simply a fact that more social welfare spending is devoted to programs that either benefits everyone or benefits the middle class more than the poor. In other words, people can think whatever they want about programs that assist the needy, but it is not true that most of the federal spending on social welfare goes to the lower class.

The two most expensive and successful programs are **Social Security** and **Medicare**. Both programs have been very successful in achieving their stated policy objectives. As discussed earlier, there is a difference between social insurance and "welfare" and individuals who receive Social Security benefits do not consider themselves as recipients of a "handout" but rather as receiving an "earned" entitlement. Whether or not people think of Social Security as part of the welfare system (which they may perceive as the "safety net" programs) it is the foundation of America's welfare state. Social Security is designed to protect individuals against risk and to provide wage insurance in old-age. Some people mistakenly believe that Social Security is a retirement plan, but it is intended as one pillar of retirement income, which would ideally consist of personal savings, personal investments, and Social Security. Those who view Social Security through the lens of a retirement plan criticize it as a "bad investment" because it does not provide a large "return", but this fundamentally misunderstands the purpose of the program.

Social Security is NOT an investment analogous to the stock market, it is ***wage insurance*** that protects the individual against poverty in old-age if their personal savings run out or the stock market crashes and they lose their investments. In reality, however, many people end up relying on Social Security as their main source of income in old-age because their personal savings proved inadequate or they were simply unable to make other investments (many people do not have the disposable income to invest in the stock market and/or lack generous matching contribution programs from their employer). The typical lower-middle class family makes enough money to have a moderately comfortable middle class life, but lacks the disposable income to build up personal savings or invest. With long-term wage stagnation experienced over the last 30 years, many Baby Boomers are inadequately prepared for retirement and will rely solely on their Social Security benefits in retirement. In other words, the program will be as important as ever in keeping poverty rates for the elderly low. For this reason, some Democrats are proposing that Social Security benefits actually be expanded rather than cut. One of the main proposals to fund such an expansion (or to just improve the overall financial stability of the program) is to lift the current **income cap** on Social Security payroll taxes. Currently, the 6.2% payroll tax that funds Social Security is only applied to income up to $118,500. Democrats have proposed either lifting that cap entirely making all income subject to the 6.2% payroll tax, or levying the 6.2% payroll tax on all income above a certain amount (ex: $200,000) in order to avoid raising taxes on those earners considered middle class (income between $118,500 - $200,000 would be exempt).

Medicare is a very complex program that consists of different parts: Part A, B, C, and D. The various parts of the program cover different items: hospital fees, doctor fees, prescription drugs, etc. Medicare does not pay for everything. The recipient still pays monthly premiums, co-payments for services, and will often purchase private insurance to supplement their Medicare coverage. The rising cost of Medicare (as a whole) is the most significant budgetary challenge. As the **Baby Boomer** population ages and as more and more medical advances are made (every new procedure and new drug increases the amount of goods and services available for consumption) the cost of the program goes up. It is important to understand that the overall cost of Medicare is not rising because government is "inefficient" or "wasteful" but rather because the cost of health care services is increasing (all Medicare does is pay for the services). In other words, it is the rising cost of health care services that is the problem, not particular insurance programs. The administrative costs of Medicare are lower than in the private insurance market, which is one reason that some Democrats want to open us access to Medicare enrollment to more people (ex: individuals over the age of 55). Some Republicans want to control the rising cost of Medicare by converting it from an entitlement system to a block grant program that would subsidize private health insurance (critics argue that this would decrease the cost of the program by simply shifting the cost of care onto individuals). Rising overall health costs and annual budget deficits guarantee that health care spending and the future of entitlement programs will continue to be at the center of our political debates.

Recent social policy debates have been about access to affordable health care insurance, the cost of higher education, the cost of child care, paid medical and family leave, the minimum wage, immigration, energy production, and environmental regulation. Most individuals receive health care insurance through their employer, Medicaid, or Medicare, but many do not and they must purchase health insurance on the private marketplace. Insurance on the private marketplace can be unaffordable for some people and many lack health insurance altogether. The **Patient Protection and Affordable Care Act (Obamacare)** aims to increase access to affordable health care insurance by expanding Medicaid to cover more people and providing subsidies to purchase health care insurance on the private marketplace. Many aspects of the Affordable Care Act have been hotly debated and the law continues to be controversial today. The law has done a fair job achieving it objective, but the marketplaces that the law created to improve access have some structural issues regarding competition, compliance, and cost increases. **Higher education** tuition has increased dramatically over the last decade and the amount of debt that students have when they graduate college has also increased. Debates over whether and how to begin subsidizing higher education, through community college tuition or public four-year tuition, have begun. The **cost of child care** has also increased and policymakers are exploring tax deductions to help pay for child care. The United States is the only industrialized democracy in the world without guaranteed **maternity leave**. As more and more women enter the workforce and as more and more women become the highest income earner, the question is now being raised as to how women's career aspirations can be combined with the desires and demands of motherhood. Donald Trump has proposed six weeks of paid maternity leave, while Hillary Clinton has proposed twelve weeks for both parents. There are a variety of funding mechanisms for such a program: reducing spending elsewhere, raising new revenue, etc. One option would be to create a new federal entitlement program within the existing Social Security system. Workers would pay a new payroll tax (ex: 1%) in addition to their current Social Security and Medicare payroll taxes in order to fund the program. Debates over whether the **national minimum wage** should be increased from the current $7.25 have been going on for a few years. The consensus figure is typically $10.10, but Congress has failed to act. **Immigration policy** has been central to the 2016 presidential campaign. Concerns about the number of undocumented workers entering the country illegally, the crime rates of illegal immigrants living in the U.S., and the legal status of illegal immigrants who have children who are U.S. citizens have major issues of contention. The number of undocumented workers entering the country is lower than it has been in over a decade and both the Bush and Obama administrations have deported record numbers of illegal immigrants in an attempt to set the stage for **comprehensive immigration reform**. The idea was to deport as many recent arrivals and criminals as possible to pave the way for a pathway to **permanent residence or citizenship** for those who have been here a long time. Two groups have been of particular concern to immigration reform advocates: children brought to the U.S. illegally and the parents of U.S. citizens. Children brought to the U.S. when they were three years old and have lived here ever since, referred to as Dreamers, have been protected from deportation by executive order. Parents who entered the country illegally and then had children in the U.S. who are now natural born citizens were also protected from deportation by executive order. These are the two main groups that would receive a pathway to citizenship as part of a large, comprehensive immigration reform bill that would also increase border security, but conservative Republicans in the House of Representatives are opposed to them staying in the country and refer to such a policy as **"amnesty."** Debates over whether or not hydraulic fracturing should be expanded or restricted have impacted energy debates. **"Fracking"** is a common technique used in **natural gas** production, which is a cleaner fuel that is has begun replacing coal. Environmental regulations aiming to curb **$CO_2$ emissions** have targeted sectors of the energy industry such as coal, as well. Most of the decrease in coal production and consumption is not, however, a result of environmental regulation but of the cheaper alternative of natural gas. Optimizing domestic production of fossil fuels and regulating $CO_2$ emissions is difficult to do because both sides want to diminish the influence of the other to the greatest degree possible. Some environmentalists dream of an end to fossil fuel production, while energy industry lobbyists and the politicians they give money to regularly suggest abolishing the Environmental Protection Agency and act as if it were the only thing standing in the way of rapid economic growth. Disagreements about the scientific community's consensus on the reality of climate change and its relationship to $CO_2$ emissions further complicates both energy and environmental policy. It is difficult to address climate change when one of the two major parties, the Republican Party, denies the scientific evidence that it is real.