CHAPTER 16

SOCIAL WELFARE POLICYMAKING

CHAPTER OUTLINE

I. What Is Social Policy and Why Is It So Controversial? (pp. 522-524)
   A. Social welfare policies provide assistance and support to specific groups.
   B. Entitlement programs consist of government benefits that certain qualified individuals are entitled to by law, regardless of need.
   C. Means-tested programs are benefits provided only to people with specific needs.

II. Income, Poverty, and Public Policy (pp. 524-530)
   A. Who’s Getting What?
      1. Income distribution describes the share of national income earned by various groups in the United States.
      2. Income is the amount of money collected between any two points in time.
      3. Wealth is the amount already owned.
   B. Who’s Poor in America?
      1. The poverty line takes into account what a family would need to spend to maintain an “austere” standard of living.
      2. Poverty may be more extensive than the poverty line suggests.
      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. What Part Does Government Play?
      1. Taxation
         a. A progressive tax takes a bigger bite from the incomes of the rich than the poor.
         b. A proportional tax takes the same percentage from everyone.
         c. A regressive tax takes a higher percentage from the lower income levels than from the rich.
         d. Through the Earned Income Tax Credit (EITC), the poorest of the poor receive a check from Washington instead of sending one.
      2. Government expenditures
         a. Transfer payments transfer money from the general treasury to those in specific need.
         b. Transfer payments have done little to redistribute income in America.

III. Helping the Poor? Social Policy and Poverty (pp. 530-535)
   A. “Welfare” As We Knew It
1. The **Social Security Act of 1935** created both the Social Security program and a national assistance program for poor children.
2. President Johnson’s Great Society expanded welfare programs.
3. President Reagan limited social welfare spending.

**B. Ending Welfare As We Knew It: The Welfare Reforms of 1996**

1. The **Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)** was passed in 1996 to reform welfare.
   a. Each state would receive a fixed amount of money to run its own welfare programs.
   b. People on welfare must find work within two years.
   c. A lifetime maximum of five years on welfare was set.
2. The program for public assistance to needy families is called **Temporary Assistance for Needy Families (TANF)**.

**IV. Living on Borrowed Time: Social Security (pp. 535-540)**

**A. The New Deal, the Elderly, and the Growth of Social Security**

1. Social Security began modestly as a pay-as-you-go plan during the New Deal.
2. Both employee and employer contributions are paid into the **Social Security Trust Fund**.

**B. How George W. Bush Tried and Failed to Reform Social Security**

**V. Social Welfare Policy Elsewhere (pp. 540-542)**

**VI. Understanding Social Welfare Policy (pp. 542-543)**

**A. Social Welfare Policy and the Scope of Government**

**B. Democracy and Social Welfare**

**VII. Summary (p. 544)**

**LEARNING OBJECTIVES**

*After studying Chapter 16, you should be able to:*

1. Understand the debate over social welfare policy in the United States.
2. Discuss the nature of wealth and poverty and how public policy affects income in the United States.
3. Explain the evolution of social welfare programs and the reforms of 1996.
4. Understand the debate concerning the future of Social Security policy.
5. Discuss the difference between social welfare policy in the United States and other democratic countries.

6. Understand the place for social welfare policies in a democracy.

The following exercises will help you meet these objectives:

Objective 1: Understand the debate over social welfare policy in the United States.

1. Define “social welfare policies.”

2. What is the difference between entitlement programs and means-tested programs?
   Entitlement programs:
   Means-tested programs:

Objective 2: Discuss the nature of wealth and poverty and how public policy affects income in the United States.

1. What is the difference between income and wealth?
   Income:
   Wealth:

2. How does the U.S. Bureau of the Census define poverty?
4. What are the three types of taxes and how can each affect citizens’ incomes?
   1.
   2.
   3.

5. What is meant by a transfer payment? Give an example.

6. Make a list of three entitlement programs and three means-tested programs.

<table>
<thead>
<tr>
<th>Entitlement Programs</th>
<th>Means-Tested Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Objective 3: Explain the evolution of social welfare programs and the reforms of 1996.

1. Complete the following table by briefly summarizing the major emphasis of social welfare and listing a major social welfare program during the eras associated with Presidents Roosevelt, Johnson, Reagan, and Clinton.
2. Summarize Charles Murray’s arguments concerning the social programs of the Great Society.

3. List the three major provisions of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).
   1. 
   2. 
   3. 

Objective 4: Understand the debate concerning the future of Social Security policy.

1. Briefly explain the major problem facing Social Security programs today.
2. Explain the pros and cons of privatizing Social Security.

Objective 5: Discuss the difference between social welfare policy in the United States and other democratic countries.

1. List three ways in which social welfare in the United States differs from most Western European countries.
   1. 
   2. 
   3. 

Objective 6: Understand the place for social welfare policies in a democracy.

1. In what ways has social welfare policy increased the scope of government?

2. What is the difference between the poor and the elderly in terms of their ability to influence social welfare policy?

   Poor:

   Elderly:
KEY TERMS

*Identify and describe:*

- social welfare policies
- entitlement programs
- means-tested programs
- income distribution
- income
- wealth
- poverty line
- feminization of poverty
- progressive tax
- proportional tax
regressive tax

Earned Income Tax Credit (EITC)

transfer payments

Social Security Act of 1935

Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)

Temporary Assistance for Needy Families (TANF)

Social Security Trust Fund

*Compare and contrast:*

social welfare policies and transfer payments

entitlement programs and means-tested programs

income and wealth

progressive tax, proportional tax, and regressive tax
Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and Temporary Assistance for Needy Families (TANF)

Social Security Act of 1935 and Social Security Trust Fund

Name that term:

1. The share of national income earned by various groups in the United States.
   ______________________

2. A measure that takes into account what a family would need to spend to maintain an “austere” standard of living.
   ______________________

3. The increasing concentration of poverty among women.
   ______________________

4. An example is when the rich pay five percent of their income in taxes while the poor pay 50 percent of theirs.
   ______________________

5. A negative income tax.
   ______________________

6. Benefits that are paid either in cash or in kind.
   ______________________

7. The new name for public assistance to needy families.
   ______________________
USING YOUR UNDERSTANDING

1. Look for various ways in which income is distributed in the United States. For example, you may want to find out how income differs among various regions, states, cities, age groups, races, and genders. Illustrate differences among groups using bar or pie charts. You may also want to examine how income has changed over time in the categories you use. Try to explain why incomes are higher for one group and not another. Identify public policies, such as taxes, that affect the incomes of the different groups.

2. Develop a comparison of a social welfare policy in the United States with that of another Western democracy. For example, Medicare and Medicaid could be compared with the National Health Service in Great Britain. Briefly describe the history of each policy. Examine the issues or controversies associated with the policy today. Find out how much the policy costs and what benefits are bestowed, in their entirety and on a per capita basis. Find out how the policy is paid for through taxes. Who are the primary recipients of the benefits? Consider whether one system has any advantages over the other.

REVIEW QUESTIONS

Check ☑ the correct answer:

1. The largest and most expensive social welfare programs in America are
   ☐ a. public assistance programs.
   ☐ b. entitlements.
   ☐ c. poverty programs.
   ☐ d. means-tested programs.

2. Government programs available only to individuals below a poverty line are called
   ☐ a. social welfare policies.
   ☐ b. entitlement programs.
   ☐ c. means-tested programs.
   ☐ d. income distribution policies.

3. Americans have the highest per capita income in the world.
   ☐ True
   ☐ False
4. (bonus) Who responded to the remark that “the rich are different from you and me” with, “Yes, they have more money”?
   □ a. Ernest Hemingway
   □ b. F. Scott Fitzgerald
   □ c. Thomas B. Edsall
   □ d. Dan Quayle

5. Which of the following is NOT considered wealth?
   □ a. stocks and bonds
   □ b. cars and houses
   □ c. bank deposits
   □ d. the amount earned between two points in time

6. The idea that “the rich get richer and the poor get poorer” was particularly applicable during the
   □ a. 1950s.
   □ b. 1960s.
   □ c. 1970s.
   □ d. 1980s.

7. The percentage of wealth possessed by the top one percent of wealth-holders in the United States is about
   □ a. one-tenth.
   □ b. one-quarter.
   □ c. one-third.
   □ d. one-half.

8. A study that looked at the overall incomes of Americans during their working lifetimes showed that
   □ a. the poverty line is an accurate portrayal of poverty in America.
   □ b. about half of all working Americans experienced at least a year of poverty during their lifetimes.
   □ c. poverty is not as extensive as the poverty line suggests.
   □ d. the elderly experience poverty more than any other group.

9. Poverty is particularly common among
   □ a. African Americans.
   □ b. Hispanics.
   □ c. inner-city residents.
   □ d. all of the above
10. Poverty is particularly a problem among
   □ a. unmarried women and children.
   □ b. the elderly.
   □ c. single men.
   □ d. urban dwellers.

11. Government can directly affect people’s income through
   □ a. taxation.
   □ b. expenditure policies.
   □ c. regulation.
   □ d. both a. and b.

12. (bonus) Who said “Nothing is certain in life but death and taxes”?
   □ a. George Bush
   □ b. Abraham Lincoln
   □ c. Benjamin Franklin
   □ d. the Supreme Court

13. Taxes that take a bigger share of a rich family’s income than a poor family’s income are known as
   □ a. progressive taxes.
   □ b. proportional taxes.
   □ c. regressive taxes.
   □ d. none of the above

14. Many taxes are purposively regressive.
   □ True
   □ False

15. State sales taxes tend to be
   □ a. progressive.
   □ b. proportional.
   □ c. regressive.
   □ d. neutral.

16. Earned Income Tax Credit benefits
   □ a. the wealthiest individuals who overpay taxes.
   □ b. the poorest of the poor.
   □ c. college students.
   □ d. the working poor.

17. Transfer payments can be either cash or in-kind payments.
   □ True
   □ False
18. An example of an in-kind transfer payment is
   ☐ a. a Social Security check.
   ☐ b. a federal pension.
   ☐ c. unemployment compensation.
   ☐ d. food stamps.

19. For most of American history, family welfare was considered a private concern.
   ☐ True
   ☐ False

20. The Social Security Act of 1935
   ☐ a. created our vast entitlement program for the aged.
   ☐ b. created a national program to assist the poor.
   ☐ c. brought together state programs under a single federal umbrella.
   ☐ d. all of the above

21. As one major way to cut government spending, Ronald Reagan chose to target
   ☐ a. entitlements.
   ☐ b. poverty programs.
   ☐ c. military spending.
   ☐ d. all of the above

22. Charles Murray contends that social policies
   ☐ a. shield the poor from shocks to the system.
   ☐ b. actually make the poverty situation worse.
   ☐ c. encourage the poor to escape poverty.
   ☐ d. are unprofitable to the poor and victimized.

23. Studies have shown that Americans tend to see welfare recipients as overwhelmingly African American.
   ☐ True
   ☐ False

24. The Personal Responsibility and Work Opportunity Reconciliation Act
   ☐ a. gave each state a fixed amount of money to run its own welfare programs.
   ☐ b. required people on welfare to find work within two years or lose all their benefits.
   ☐ c. placed a lifetime maximum of five years on welfare.
   ☐ d. all of the above
25. The Personal Responsibility and Work Opportunity Reconciliation Act failed to reduce the number of people on welfare.
   □ True
   □ False

26. Since we have declared war on poverty, the rich have gotten a larger share of the nation’s income and the poor a smaller one.
   □ True
   □ False

27. Social Security started as a modest “pay-as-you-go” plan.
   □ True
   □ False

28. The Social Security Trust Fund is funded by
   □ a. employee contributions.
   □ b. employer contributions.
   □ c. state taxes.
   □ d. both a. and b.

29. At some point in the near future, Social Security payouts will exceed income.
   □ True
   □ False

30. George W. Bush and Republican solutions to the Social Security problem tend to emphasize
   □ a. higher taxes.
   □ b. privatization.
   □ c. abolishing Social Security.
   □ d. reorganization.

31. The United States is one of the skimpiest providers of social welfare policies among Western democracies.
   □ True
   □ False

32. France provides
   □ a. far more social welfare policies than the United States.
   □ b. far fewer social welfare policies than the United States.
   □ c. about the same social welfare policies than the United States.
   □ d. no social welfare policy benefits.
33. Compared to Americans, Europeans
   □ a. tend to support greater governmental responsibility for social welfare problems.
   □ b. have more positive attitudes toward government.
   □ c. pay higher taxes to support social welfare programs.
   □ d. all of the above

34. Nothing more clearly accounts for the growth of government in America than social welfare spending.
   □ True
   □ False

35. The elderly are poorly organized and lack political and economic capital to wield much influence in social welfare policies.
   □ True
   □ False

36. It is difficult for the poor to influence political decisions because they
   □ a. vote less frequently.
   □ b. lack strong, focused organizations.
   □ c. lack money.
   □ d. all of the above

ESSAY QUESTIONS

1. Explain the nature of the distribution of income and wealth in the United States. What are the characteristics of poverty and poor people in the United States?

2. How does public policy affect the distribution of income in the United States?

3. How have social welfare programs evolved in the United States? Explain and evaluate the welfare reforms of 1996.

4. What are the different types of social welfare programs in the United States and how do they compare to social welfare programs in other countries?


6. Describe the debate concerning the causes of poverty and whether social welfare policies really work in our democracy. Take sides on the debate and defend your position.