Since the Great Depression of the 1930s, Congress has passed laws creating social programs that provide economic, educational, and health benefits to millions of Americans. Government social programs are a continuing source of controversy in the United States, a society that prizes individualism, self-reliance, and free enterprise. The New Deal programs that were created to relieve suffering brought on by the Depression were met with gratitude by some and with outraged cries of “creeping Socialism” by others. Federal, state, and local governments spend tens of billions of dollars on social service programs each year. Even with these expenditures, millions live in poverty, unable to secure adequate housing, nutrition, and health care.
The U.S. government estimated that in 2006 nearly 39 million poor people lived in the United States. Poor people are defined as those who live in households with less than a certain annual income. In 2006, that amount was $20,000 for a family of four. Many of these poor people are children. In 2006, more than 18 percent of American children were poor—the highest rate of any age group.

Most Americans correctly assume that government programs exist to help the poor. However, some government programs offer benefits to families at all income levels. Programs that are directed toward poor Americans include Temporary Assistance to Needy Families (TANF), food stamps, Medicaid, and public housing. Programs that benefit Americans of all income levels include Social Security, Medicare, veterans’ benefits, and unemployment compensation. In addition, millions of American families who are in the middle and upper income levels receive mortgage interest deductions—tax breaks for owning a home—on their income taxes each year.

**Problem 35.1**

a. List all the causes of poverty in the United States that you can think of. Which of these problems can government programs help solve? How? Which of these problems can government not solve? Explain the reasons for your answers.

b. Should people receiving money under social programs receive the same amount no matter what state they live in? Why or why not?

**Economic Benefits for Individuals and Families**

People of all living situations and income levels need, and often rely on, economic benefits associated with government programs. For example, some people count on their Social Security benefits to help support them in their retirement. Others depend on welfare, food stamps, and Medicaid to provide the money and basic necessities for their children.

**Social Security**

When you apply for a job, your employer will ask for your Social Security number. This may seem unimportant now, but your Social Security number will be a valuable asset when you retire. Social Security works like an insurance policy. When you work, a percentage of your wages is deducted by your employer, who pays an equal amount to the federal government. After you reach retirement age, you are entitled to benefits based on the amount of money you and your employer paid into the Social Security fund.
Almost all Americans—men, women, and children—have Social Security protection either as workers or as dependents of workers. The following list summarizes some of the major provisions of the Social Security law.

- **Retirement benefits.** Workers age 65 or older may retire and receive a monthly Social Security check. As of 2008, reduced benefits are available at age 62. A worker’s spouse and children may also be eligible. The amount a person receives is a percentage of earnings. In 2008, the maximum a retiring worker first claiming benefits could receive was about $2,185 per month.

- **Disability benefits.** Workers who are blind, injured, or too ill to work can receive monthly checks if the disability is expected to last at least 12 months or to result in death. Spouses and children are also eligible.

- **Survivor’s benefits.** When workers die, their families become eligible for payments. This is like a government life insurance policy.

To illustrate how Social Security works, consider the case of Melody, a single parent with two children. She worked in a bakery for five years. Then she became seriously ill and had to stop working. After a required waiting period, Social Security will send Melody and her children a monthly check until Melody is able to return to work. If Melody dies, Social Security will continue to provide benefit checks to each of her children until they reach age 18, or until they reach age 22 if they are full-time students.

**Supplemental Security Income**

The federal Supplemental Security Income (SSI) program provides money for elderly, blind, and disabled people who are in need. This program provides monthly benefits at a standard rate across the country. States may add their own benefits to these federal benefits. To receive SSI benefits, a person must be age 65 or older, be legally blind, or have a major disability that prevents employment for a year or more. Applications for SSI are handled by local Social Security offices.

**Assistance to Needy Families**

Until 1996, Aid to Families with Dependent Children (AFDC)—often referred to as “welfare”—was the joint federal-state program that provided aid to needy families with dependent children.
AFDC was controversial. Critics said that welfare discouraged people from working because welfare payments were reduced based on income received from employment. Others argued that it broke up families, because many states would not pay AFDC benefits if the father lived in the home. Still others contended that the programs cost too much.

As a response to some of the controversy surrounding AFDC, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 as the primary federal welfare law. It replaced AFDC with Temporary Assistance to Needy Families (TANF). This law changed welfare dramatically.

TANF has a much stricter work requirement than AFDC had. Most recipients must work or attend a vocational program for at least 20 hours a week or risk losing benefits, depending on the state’s program. Recipients also receive at least one year of health care benefits while they are making the transition from welfare to work.

There are restrictions on receiving TANF benefits. Many families with an adult who has received federal assistance for a total of five years may not receive cash aid under TANF. Many immigrants to the United States, regardless of whether they are here legally or illegally, are barred from receiving TANF benefits. Parents who are still minors are required to live in an adult-supervised home and to continue their education or receive vocational training in order to qualify for benefits.

Under the 1996 law, states were required to set up and maintain child-support payment enforcement programs. The law provides rules and procedures that make it easier to monitor and track parents who are delinquent on child-support payments. The law also makes it easier to establish paternity for child-support purposes.

**Food Stamps**

Thirty-five million people in the United States struggle with hunger. The food stamp program provides a safety net by helping low-income people buy food. As of 2008, benefits average about $1.00 per person per meal. Food stamps can be used only to purchase food and are available to low-income households that purchase and prepare their meals together. The program targets people most in need, such as households with children or an elderly or disabled person. Even full-time workers can be eligible for food stamps if their gross income is below 130 percent of the poverty line. Legal immigrants who have lived in the United States for at least five years and legal immigrants who are children or disabled can apply for food stamps. Immigrants who are in the country illegally are not eligible.
The food stamp program is funded primarily by the U.S. Department of Agriculture. While there are national standards, states are also allowed to elect certain options, such as disqualifying a person who owns a car valued over a certain amount. Food stamps are issued through an Electronic Benefit Transfer (EBT) system. This system allows recipients to authorize automatic transfer of their benefits from their accounts to a retail store to pay for their purchases. This system reduces loss, theft, and fraud, and it reduces the stigma for customers who no longer have to redeem paper food stamps.

Problem 35.2

Governments in Canada and many nations in Europe provide their citizens with far more benefits than the U.S. government provides to its citizens. However, citizens in nations with more benefits pay higher taxes to finance these “safety net” programs that provide support for those in need. This difference reveals contrasting views about the role government should play in protecting citizens from hunger, homelessness, and illness.

a. What is your view of government safety net programs?

b. What costs would U.S. taxpayers face if the government were to expand our safety net programs?

c. What costs might we face if we decide to reduce safety net programs?

Earned Income Tax Credits

The federal government provides many tax advantages for families. One such benefit is the earned income tax credit. This credit is available to families with children whose income is below a certain level determined by the Internal Revenue Service (IRS) each year. The credit reduces the amount of tax that is owed to the federal government. It is intended to offset increases in living expenses and to encourage people to work rather than receive assistance. Many states have adopted a state version of this program.
Tax Credits for Families with Children

Another tax credit that is available to families is the credit for child and dependent care expenses. This benefit is meant for families who must pay for child care in order for both parents to work or to look for work. Additionally, all adult taxpayers who have dependent children get a tax deduction for each child.

Housing Assistance and Mortgage Interest Deductions

Federal, state, and local governments offer programs designed to provide low-income people with housing assistance. These programs include government-operated housing projects, direct payments of portions of rent, and low-interest loans and insurance to help people buy their own homes.

The government also gives tax deductions for the amount of interest homeowners pay on their home mortgages. This benefit was designed to encourage home ownership and make homes more affordable, so these deductions are enjoyed by those who are able to buy their own homes. Although there are a number of first-time homebuyer programs to help lower-income families buy homes, the majority of households that benefit from this deduction are in middle and higher income brackets.

Housing Assistance

On any day in the United States, nearly one million people—including 200,000 children—could be homeless. Many of the homeless are employed but cannot afford existing housing. Experts estimate that more than half of the families eligible for federal housing assistance do not receive it. Information about renting and federal rental assistance programs is available from the U.S. Department of Housing and Urban Development at www.hud.org/renting.
Health Benefits

Health care is a problem of great and growing importance in the United States. According to the Census Bureau, in 2005 more than 45 million Americans—about 16 percent of the total population—had no health insurance. More than 10 percent of U.S. children had no health insurance. Lack of health insurance is much more common among people with low incomes. From 2001 to 2005, the primary reason for the increase in the number of uninsured people is that employers stopped offering health care coverage as an employment benefit.

Medicare

Medicare is a federal health insurance program for people age 65 or older. It also aids people of any age with permanent kidney failure requiring dialysis or a transplant, as well as certain disabled people. Those receiving Medicare can usually obtain medical care through physicians of their own choosing. Medicare has two parts: hospital insurance and medical insurance. Hospital insurance helps pay for major hospital expenses and certain follow-up care, such as hospice care and some health care. Medical insurance helps pay for physicians’ office fees, physical and occupational therapists, and other medical expenses, including prescription drug coverage. Local Social Security Administration offices take applications for Medicare, assist people in filing claims, and provide information about the program.

Medicaid

Medicaid is a government program that provides private medical care to poor and disabled people. The program is jointly funded by the state and federal governments and administered by the states. It covers most common medical services, including hospital and outpatient care, nursing-home services, hearing aids, eyeglasses, prescription drugs, dental care, physicians’ office fees, medical supplies, and transportation to and from hospitals or doctors’ offices.

Recipients of Temporary Assistance to Needy Families may also be eligible for Medicaid benefits, with a few exceptions.
For example, a single adult who fails to meet the work requirement may not be eligible for Medicaid. Most Medicaid expenditures go to persons over age 65 or to those who are blind or totally disabled. Elderly and disabled persons are eligible for Medicaid if they are U.S. citizens or legal immigrants, live in the state where they apply, and have an income below a set amount. Applications for Medicaid are processed through state social services offices.

In 1997, the federal government developed an essential new program for working families without health insurance. The State Children’s Health Insurance Program (SCHIP) is a federal program that gives grants to states to provide health insurance coverage to low-income children who do not receive Medicaid and are uninsured. States may administer these grants through existing Medicaid programs or establish a special children’s health insurance fund.

**Problem 35.3**

**a.** Should government provide health care coverage to Americans who do not qualify for Medicaid and cannot afford to buy health insurance? Explain.

**b.** Should government ensure that all children receive health care, regardless of family income? How would this affect taxpayers? What other costs might we face if we do not ensure that children get adequate health care? Explain.

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**Family and Medical Leave Act**

In 1993, Congress passed the *Family and Medical Leave Act* to help parents who want to stay at home with their babies, as well as workers who need time off to care for ailing relatives. The legislation guarantees working adults up to 12 weeks of unpaid leave during any 12-month period for any of the following reasons: (1) for the birth and care of the employee’s child, (2) for the placement of a child for adoption or foster care with the employee, (3) to care for a spouse, child, or parent who is suffering from a serious health condition, or (4) to take medical leave when the employee is unable to work because of a serious health condition.

The legislation does not apply to everyone. Only firms with 50 or more employees are covered by federal law, and there are “key exceptions” for “highly compensated” employees. This means if you are one of the most highly paid employees in your office or region, your employer may deny your request for leave.
Educational Benefits

Government support for educational benefits ranges from primary and secondary public education to child development programs for younger children. Some states also provide financial assistance for obtaining a higher education. In addition, grants and loans are available through the federal government.

Elementary and Secondary Public Schools

The government is involved in education at all levels. Both state and local governments are responsible for providing public elementary and secondary education for all students. In fact, state and local governments decide most education policy. Typically, approximately 10 percent of the funding for elementary and secondary schools comes from the federal government. State and local governments fund their public schools primarily through a combination of state income taxes and real property taxes. All 50 state constitutions provide for this right to a public education. In fact, children between certain ages are required to attend school. In most states, students must attend school through age 16. Federal law requires schools to provide special educational services to students with physical and mental disabilities.

Head Start and Early Head Start

Head Start and Early Head Start are programs of the U.S. Department of Health and Human Services. These comprehensive child development programs serve children from birth to age five, pregnant women, and their families. These programs are administered through a combined effort of local, state, and federal governments in an effort to increase school readiness of young children in low-income families. Head Start and Early Head Start provide a range of services in education and early childhood development; medical, dental, and mental health; nutrition; and parental involvement. The programs are designed to respond to each child’s and family’s individual developmental, ethnic, cultural, and linguistic needs.

Colleges and Universities

States also provide funds for higher education. Many colleges and universities are operated by the state. Tuition at these institutions is generally less expensive than at private colleges and universities. Tuition at these public institutions is further reduced for students who are residents of the state.

States generally provide some funding sources, such as scholarships and grant and loan programs, for college students to finance their college education. However, the vast majority of college students who seek financial aid to pay for college receive that aid through federal government loan and grant programs.
Grants  Federal Pell Grants are available from the U.S. Department of Education to financially eligible students to obtain an undergraduate or professional degree. These are grants and not loans that have to be repaid. Federal Opportunity Grants are available to undergraduate students with exceptional financial need. A student who participates in this program may receive between $100 and $4,000 a year, depending upon a number of factors. The Federal Opportunity Grant program gives priority to students who also receive Pell Grants.

Problem 35.4

The U.S. Constitution does not provide a legal right to education, and the responsibility for public education in this country has historically been left to the individual states. Although each state constitution provides children in that state with the right to a public education, they do not necessarily provide children with the resources for any particular quality of education. Because public schools are funded largely from property tax revenue, wealthy communities are able to generate more revenue to spend on educating their children than are poorer communities. As a result, students in the wealthier districts are, on average, better prepared for college or for jobs. Some argue that this resource disparity violates the principle of “equal opportunity for all” and urge states to provide funds to equalize spending across the state regardless of local property tax revenues.

a. What are two arguments that would support such a policy?

b. What are two arguments that could be used to oppose such a policy?

c. What is your view? Explain.
Federal Work Study  The Federal Work Study (FWS) Program supplies colleges and universities with funds to provide jobs, usually on-campus, for financially needy undergraduate and graduate students. In addition to on-campus jobs, students may work at a federal, state, or local public agency, a private nonprofit organization, or a private for-profit organization as part of their involvement in the FWS program. This program enables students to earn at least federal minimum wage to help them pay for their educational expenses while attending school. Students participating in this program are encouraged to do community service work. In addition, the Federal Work Study Program can help students get valuable work experience in their chosen course of study before they leave school.

Loans  Loan programs are available from the U.S. Department of Education (www.studentaid.ed.gov) to help students finance their college degrees. A variety of federal education loans exist. Some loans go to the students directly, while others go to the students’ parents. All loans, regardless of the program or the source, must be repaid. A wide range of financial assistance is available directly from colleges and universities, including loans, scholarships, tuition waivers, and employment opportunities.

Various branches of the military offer special college loan repayment programs as enlistment incentives. The student makes a multi-year commitment to serve in the military, and in return the military pays a set percentage of the student’s outstanding loan after each year of military service.

Student loans are a part of a young person’s life long after he or she has graduated from college. So it is important to give careful thought to how much debt to incur and then to develop a realistic plan for loan repayment in the future.

Problem 35.5

While all states provide a free elementary and secondary education for children, the government does not usually pay for students to attend college and pursue a higher education.

a. Should the state or federal government provide a free college education to all Americans? Why or why not?

b. Should students from poor families pay less tuition or get guaranteed loans at lower interest rates? Explain.

c. Should the state or federal government pay college expenses for students who are willing to prepare for careers in which there is a shortage of qualified workers? If so, for how long should the graduate be required to work in that kind of job?

d. What is an appropriate penalty for a graduate who does not make the required payments on his or her guaranteed student loan? Explain your answer.