

The Economic and Social Role of Government

Since the 1960's, many different government political philosophies have impacted American society. People now expect some level of government economic intervention in their daily lives. Government benefits for Americans changed between the 1960's and the 1990's. Below are summaries of some of the changes that have taken place.

Roosevelt's New Deal programs were during the Great Depression of the 1930's. Many of these programs were only short-term, and were not intended to last a long time. They were a **social safety net**, meaning programs that were intended to prevent economic and social disaster. However one of these programs is still in existence today, the **Social Security Act**.

The Social Security Act of 1935 was both public assistance and insurance.

- It provided old-age insurance, paid by a tax on both the employer and employee while the employee was still working. Therefore, the worker and the employer, not the government, funded this program.
- It provided unemployment insurance for workers, paid by employers
- It gave assistance to dependent children and to the elderly, the ill, and the handicapped



The Great Society of the 1960's

When **Lyndon Johnson** was President, he created domestic policies known as the **Great Society** to expand on the policies of Roosevelt's New Deal.

Medicare was created by an Amendment to the Social Security Act in 1965. It provided insurance and some types of healthcare to those over the age of 65. All workers have to pay a Medicare tax in their paycheck as well as those receiving Medicare having to pay some part of the final medical costs.

Medicare is not a "totally free" government program. Today it faces two major problems:

1. The program is expensive to run as health costs have risen, health care has improved, and people are now living longer.
2. The percentage of recipients has increased compared to the number of workers contributing.

Medicaid was a system adapted in 1965 that provided states with funds to help those in need not covered by Medicare. Today, states are expected to pay for part of the cost of Medicaid.

Ronald Reagan and the Economic Challenges of the 1980's

Reagan's campaign promised the "good old days" and a conservative approach to government and the economy. He argued that big government was the cause of inflation.

Reagan supported a domestic program that was backed by both Presidents Eisenhower and Nixon called **New Federalism**, where federal control of some social welfare programs was now controlled by the states.

In addition, President Reagan advocated for **Supply-Side Economics**, also known as the **Trickle-Down Theory**, his policies later becoming known as **Reaganomics**.

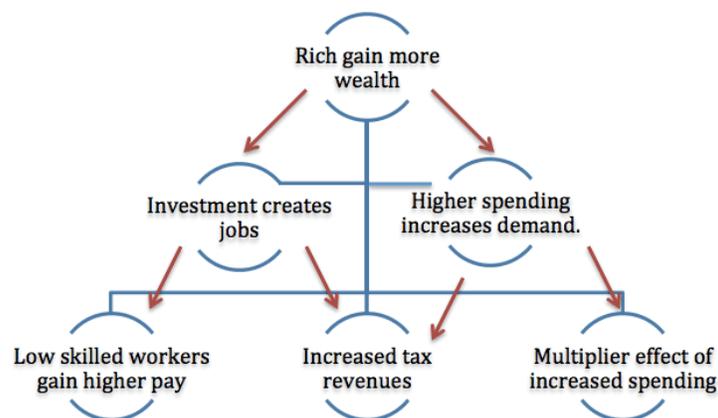
- It involved cuts in business taxes and wealthy individuals. He believed that they would reinvest this extra money not given to the government, hire more workers and increase the supply of goods and services. He believed that these actions would end inflation without increasing the national debt.
- His critics were highly skeptical of his plans as in the end, big business and the wealthy benefitted more than others.

Reagan tried to **balance the federal budget** by reducing many social welfare programs and cutting funding to government programs such as the Environmental Protection Agency. Despite these efforts, the **national debt continued to rise** during his presidency. Only a few programs were spared his cuts, namely the defense budget and Social Security.

Reagan also called for a simplification of the nation's tax laws and tax cuts for about 60% of the working population. He believed that tax cuts would promote economic growth. Again, the rich were favored, and wealth was more unevenly distributed.

The main reason why the national debt kept rising was the **growing trade deficit** (nearly \$ 150 billion) as the nation was importing much more than they were exporting.

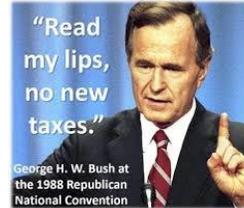
Trickle down effect



The George H.W. Bush Administration and Economics

During his election campaign of 1988, he promised voters **“No New Taxes”**. Once president, by 1990, he broke that promise. In 1990 the **Savings and Loan scandal** saw the misuse of funds by savings and loan companies and American taxpayers had to pay hundreds of billions of dollars to bail out the industry.

By 1992 and **economic recession** in America caused massive layoffs and rising unemployment. **Taxes had to be raised to pay for all of these problems.**



The Bill Clinton Administration and Economics

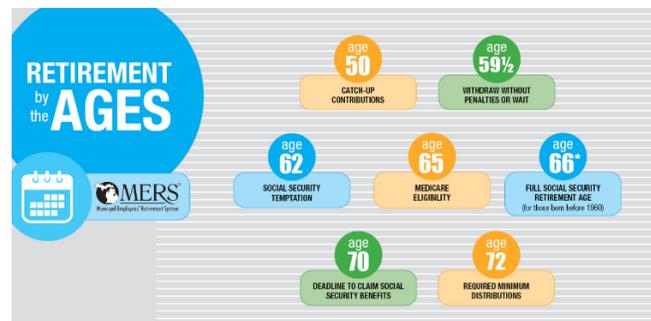
In 1993, President Bill Clinton proposed a health care reform plan to ensure **health care for all Americans**. Congress refused his plan as its opponents claimed that the plan was too complicated, too expensive, and would limit choices in healthcare.

Since the 1990’s the rising costs of medical insurance have seen more Americans unable to afford healthcare. Clinton also faced a problem with Social Security as the number of recipients was increasing rapidly due to longer life spans and the again baby-boomer generations. Many revision plans were created but none were adopted under Clinton.

The George W. Bush Administration and Economics.

In 2007, the economy was close to a **recession**. Thousands of homeowners struggled to make mortgage payments and others faced bank foreclosures. A **tax cut and rebates to taxpayers** was enacted, and in 2008 taxpayers received rebates checks ranging from \$ 300 to \$ 1,200. The **Federal Reserve Bank** had lowered its interest rate several times, by spring 2009 it was at 0%. Congress also approved an increase in the **Minimum Wage**, from \$ 5.15 to \$ 5.85, with an increase to \$ 7.25 by 2009. Unfortunately these actions were not enough to stop the **Great Recession**, the worst economic downturn since the Great Depression.

George W. Bush also had ideas for **Social Security**. His plan was for younger workers to choose private accounts for a portion of their Social Security contributions. It was not adopted. **Medicare** was another major issue for President Bush. The increasing elderly population and fewer workers contributing to the system due to declining birthrates in the 1970’s and 1980’s led to a solution that raised the age of eligibility for the program.



The Barack Obama Administration and the Great Recession

When President Barack Obama took office on January 20, 2009, he faced the most serious economic crisis America had faced since the Great Depression.

Bail-Outs were made to banks and large corporations, billions of dollars, so that they would not collapse. Around \$ 700 billion was granted under the **TARP Program – Troubled Asset Relief Program** to banks that were in danger of failing.

The **nation's unemployment rate** was the highest in almost 25 years, **between 8 and 10%**. Major companies such as General Motors, Ford, and Chrysler were also given federal loans, backed by future taxpayer money. This would ensure that their workers still had jobs and would stabilize the economy.

Unfortunately, it was discovered that some of this taxpayer money went to pay for bonuses for executives at some failing companies.

A **Mortgage Scandal** was uncovered as several large banks were found guilty of allowing and encouraging home buyers to obtain mortgages that they would have difficulty in paying. Many banks foreclosed on their homes, and housing prices dropped causing a ripple effect in the economy. In the end several large banks collapsed due to the scandal.

In 2010, President Obama signed a reform bill ending these bank practices that caused the recession. His act now saw **federal oversight over financial institutions** which included credit card rates, bank fees, mortgage programs, and car loans.

The **Affordable Care Act (the Patient Protection and Affordable Care Act)** was signed in 2010. The bill passed by a slim margin, having faced fierce opposition from the Republican Party. The law is phased in over several years and has provisions to forbid healthcare companies to deny health care coverage to applicants, extend coverage to young adults until they are 26 years of age if living at home, and to eventually require **all Americans** to obtain healthcare coverage.

By 2016, the law had become known as **Obamacare** and Republicans had tried over 60 times to repeal the law. A campaign pledge of Donald Trump was to repeal the Affordable Health Care Act but it was unsuccessful in getting the majority of Congress to repeal and replace the act.

What Benefits Does the Affordable Care Act (Obamacare) Cover?

 HOSPITALIZATION SERVICES	 AMBULATORY SERVICES	 URGENT & EMERGENCY CARE
 PRESCRIPTION MEDICATIONS	 MATERNITY & BREASTFEEDING SUPPORT	 LABORATORY SERVICES
 PREVENTATIVE & WELLNESS BENEFITS	 MENTAL HEALTH & DRUG ABUSE SERVICES	 PEDIATRIC SERVICES (INCLUDING DENTAL & VISION CARE FOR KIDS)