An analysis of poverty in america economics essay

Poverty in America is a central part in the creation of social welfare policies and programs. The history of America revolves around four elements: economic development, political organizations, social stability, and family integrity. These elements are key points to success in America but the setback for most Americans is poverty. Poverty is the state of not having enough money to take care of basic needs such as food, clothing, and housing. According to Michael Harrington (1962), the Americans that are considered to be unfortunate consist of about 25 percent of the total population (p. 190). In America, poverty began in the 1600's when the New England settlers arrived on the new land. This time of period is called the colonial period.

During the colonial period people arrived on the new land for a new start but came to realize that it was difficult to adapt to the culture because of the environment. As time passed the colonist had to bring some of the things they learned from England such as the way they lived and the English poor laws to the new land. Queen Elizabeth established the English poor laws that " stressed, most importantly, public responsibility for relief for the poor who could not work, and work for the able-bodied" (Axinn & Stern, 2007, p. 14). Although the poor laws were in an existence to the colonist many felt that the laws were not needed because there was no constant unemployment problem and there was no industries to give people any work. The people that were affected by poverty were the disabled, elderly, and widows with young children. Due to war with Native Americans, widows and young children made up a large percentage of the poor on the new land. Other causes of poverty in the new land were high childbirth mortality, smallpox, and other diseases which caused a rise in economic needs.

Although there is a rise in economic needs the development of the American culture continues to form and become more diverse. The United States won their independence from Great Britain and started focusing on the development of a democracy. " The Preamble of the Constitution of the United States cited the promotion of the general welfare as one of the reasons for forming the new government but there was no mention about the social welfare concerns" (Axinn & Stern, p. 38). As time continues to pass the United States enters into the pre/post civil war period in which leads into the Progressive Era.

The Progressive Era is known as the great change and it took place in the late 1800's and early 1900's. The great changes of this period consist of poverty and the working class, family welfare, and social work. Poverty and the working class struggled because of the ongoing recessions in the country. Axinn & Stern states " Legislation to regulate the working conditions of women and children and to insure against loss of income due to industrially caused illness and accident was the first part of a package that might loosely be identified with family welfare" (p. 145). Although many women and children was working and there was a wide spread of boarders and lodgers 50 to 66 percent of these families were poor. With the family welfare program the first statewide mandatory law was established. The law was the Fund to Parents Act in which providing funds for children who was adopted. Social workers had a lot to do with the decisions made towards the reforms of family and social welfare. During this time period, the establishment of laws and unions helped with the child welfare laws and policies for children. Although America established social reform policies during the progressive era they became a great nation entering into the roaring twenties.

The Roaring Twenties was one of the great time periods for the American culture. During this time period there were many interventions such as the automobile, airplane, and the radio. Industrialization, banks, and the stock market started the beginning of a middle class in the US in which helped the country to grow economically. But the country was in for an awakening; On September 29, 1929 the stock market crashed and majority of the people in this country lost everything they had. This marked the beginning of the Depression.

The day the stock market crashed the United States lost over 14 billon dollars. In the next three years 74 billon dollars was lost and this cause unemployment rates to rise tremendously. Hundreds of thousands of Americas lost everything and lived in misery for example, people had to built homes from cardboard, scrap metal or whatever they could find in the dump city. These towns were called “ Hooverville after the president whom they despised for his apparent refusal to help them” (Murrin et al., 2008, p. 919). When Franklin D. Roosevelt was elected he guaranteed social welfare for Americans that could not help themselves. His plan was called the New Deal.

The New Deal started with the Emergency Banking Act in which provided federal loans to private banks. This caused banks that were left open to commit to the government and balance the budget provided. When Franklin

D. Roosevelt spoke to the people of America over the radio and encouraged them to start putting their money back into the banks the people trusted him and did. The Glass Steagall Act was created at this time to protect up to 5000 dollars of the money put into savings.

The next New Deal relief act that was established was the Economic Relief Act. The Economic relief help establish the Federal Emergency Relief Administration (FERA), Civilian Conservation Corps (CCC), and the Homeowner’s Loan Corporation. “ The FERA and the CCC put more than 2 million single men to work planting trees and halting erosions” (Murrin et al., p. 932). The Homeowner’s Loan Companies refinanced mortgages for middle-class American threatened with the loss of their homes.

The Industrial Reform help form the National Recovery Act (NRA). The National reform act was formed by General Hugh Johnson. General Johnson persuaded employers to raise minimum wages for their employees to about 30 to 40 cent in the industrial factories but in 1935 the NRA was ruled unconstitutional (Murrin et al., p. 936; 937). Although the NRA was ruled unconstitutional it formed the Public Works Administration. The PWA helped strengthen the work on roads, bridges, sewage systems, hospitals, airports, and schools.

The Tennessee Valley Authority was one of the New Deal relief Acts that was called by the government. The TVA was created to control the flood of the Tennessee River by creating “ water power to generate electricity, develop local industry, improve river navigability, and ease the poverty and isolation of the area inhabitants" (Murrin et al., p. 937). TVA helped improve over 20 dam sites and it was one of the New Deal's most celebrated successes.

The New Deal package also responded to the farmers' troubles with the legislations and administrative regulations designed to ease credit and to raise the commodity prices by restricting output. On May 1933, Congress passed an Agricultural Adjustment Act. This act approved the obligation of production controls in order to achieve balance between the production and the consumption of far commodities at the parity level of farm income. In other words, the act sought to compensate farmers to not produce crops and dairies. This Agricultural Adjustment Act would boost demand and increase the prices of farm product. The restriction of output contributed to the decrease in the number of farms during the Depression year. " By 1940, the number of farms stood at 6, 097, 000, representing a ten year loss of almost 200, 000 farms" (Axinn & Stern, p. 179). Because the number of farms operated by whites is unchanged, the black farmers were the ones that suffered the loss. Black tenant farmers were more likely to face conviction due to the decrease in farm prices.

Roosevelt consolidated all federal agricultural credit agencies into the Farm Credit Administration which passed the Farm Credit Act in 1933. The Farm Credit Act used federal money to pay off farm creditors and save farmers from bankruptcy. In addition, Roosevelt and Congress passed the Emergency Farm Mortgage Act during the New Deal in an attempt to limit farm foreclosures and allow debtors to stay on farm for up to five years after bankruptcy.

Two acts that are known for historical importance are the Social Security Act and the National Labor Relations Act in which revolved into the second New Deal. “ The Social Security Act, passed in May, required the states to set up welfare funds from which money would be disbursed to the elderly poor, the unemployed, unmarried mothers with dependent children, and the disabled” (Murrin et al., p. 945). This Social Security Act also enrolled majority of the working Americans in a pension program that guaranteed a steady income upon retirement.

In 1964, Lyndon B. Johnson declared a “ war on poverty” during his State of the Union Address and made poverty a national concern. The national’s concern on poverty laid a foundation of a series of bills and acts, creating programs such as Head Start, Food Stamps, Work Study, Medicare and Medicaid, which still exist today. In addition, Johnson also signed the omnibus Economic Opportunity Act of 1964. The law created the Office of Economic Opportunity (OEO) aimed at attacking the roots of American poverty. The OEO supply training for the underprivileged and create a range of community-action programs that give the underprivileged a voice in housing, health, and education programs. According to Axinn & Stern (p. 254), OEO provide low income, young people from minority group families with education, skills, and experiences that would be necessary for being successful. The programs started under Johnson brought about valid results, reducing rates of poverty and improved living standards for America’s poor.

Johnson challenged Americans to build a “ Great Society” that eliminated the troubles of the poor. Head Start provided educationally opportunity for the disadvantage children. Food stamps were the symbol of poverty and were an aid in feeding families with low income. The Federal Work-Study Program was an aid for students of low-income families to pay for higher education through the use of campus jobs. The Work-Study Program can consist of community service so that students can be able to work for local non-profit agencies in order to help pay tuition. Medicare and Medicaid were national funded medical coverage for the elderly and for low-income citizens (Murrin & et al., p. 109-1110).

Overall, the Great Society was the greatest domestic policy since the New Deal. The Great Society accomplished several declines in poverty between 1965 and 1968, for example, the income of a black family escalated from 54 percent to 60 percent compared to the income of a white family. However, the War on Poverty was oversold by LBJ and others and never lived up to its initial expectations due to the demands of the poorly managed, under-financed, and over-politicized Vietnam War. Anti-poverty programs of Medicare and Medicaid, Head Start, Food Stamps, and some others made lasting contributions to the welfare of the American people.

The Republican administration of President Nixon continued on with an ambitious governmental effort to address the problem of persistent poverty in the United States. Although President Nixon showed dislike for a large amount of the War on Poverty, his administration reacted to public scrutiny by keeping the majority of programs by increasing the welfare state through the liberalization of the Food Stamp program, the indexing of Social Security to inflation, and the passage of the Supplemental Security Income (SSI) program for disabled Americans. President Nixon proposed a “ Family Assistance Plan” as a domestic policy centerpiece, a proposal that sought to eliminate welfare and provide direct cash assistance to families instead (Kornbluh, 2007, p. 137). The Nixon administration's most noticeable contributions to the War on Poverty consisted of replacing the Office of Economic Opportunity (OEO) with the Community Services Administration, redistributing control over many antipoverty programs to more traditional federal bureaucracies, and proposing a Family Assistance Plan that failed to gain congressional approval.

President Gerald Ford presided over the worst economy since the Great Depression. In 1974, President Gerald Ford proposed policies that were to control inflation. A common approach is to have poverty rates lowered by having the economic growth high. High economic growth rate can however cancel out high inflation rates which can result in higher growth and poverty rates. When inflation occurs, it will be difficult for people to afford products. Consequently, there will be a rise in poverty. The inflation in food price increases the poverty level. It can cause the underprivileged families to ease food intake and rid other expenditures. Ford approved income tax returns as part of the Tax Reduction Act of 1975 that was to enhance the economy by calling effortlessly for a $22. 8 billion tax cut. Ford signed this act in order to give back some money to taxpayers so they will be able to spend it. This spending in turn generates sales. These sales produce revenue for several parties who are able to buy, hire, and produce more. Ford visualized that, ultimately, the economy would increase and the inflation and unemployment numbers would decrease. As a result, the poverty level will decrease.

In 1978, President Jimmy Carter developed an elaborate negative income tax plan which was to increase government spending. During his presidency, Carter worked hard to combat the continuing economic woes of inflation and unemployment. He also pushed reforms through the legislature, providing equal state aid to schools in the wealthy and poor areas of Georgia, set up community centers for mentally handicapped children, and increased educational programs for convicts. Carter took pride in a program he introduced for the appointment of judges and state government officials. To increase human and social services, Carter created the Department of Education, strengthened the Social Security system, and selected a record number of Black and Hispanic women to government jobs. During Carter's reign, he volunteered for the Habitat for Humanity which helps low-income working people build and buy their own homes. By the end of Carter's presidency, there were an increase of nearly eight million jobs and a decrease in the budget deficit.

During Ronald Reagan's presidency, his administration tightened eligibility requirements for welfare programs and reduced benefits. It hoped to lower costs and transfers responsibility for most assistance programs to the states, which the federal government would assume the expense of Medicaid and the states would accept responsibility for AFDC (Aid to Families with Dependent Children) and food stamps. Indecisive of the costs, the states did not agree. The Family Support Act (1988) emphasized employment and self-sufficiency, rigorous child-support efforts, and strengthened social services.

Reagan ordered that the states were required to have Job Opportunities and Basic Skills (JOBS) programs offering education, training, and work for recipients, and to provide child care to enable participation; included in the requirements was the enrollment of all able-bodied clients whose youngest child was at least age of three. States were also required to provide AFDC-UP (Aid to Families with Dependent Children-Unemployed Parent) to children in two-parent families that were needy because of the principal wage earner's unemployment (Axinn & Stern, p. 297). Transitional Medicaid and child-care benefits were to be provided for those whose eligibility was lost as a result of increased employment income.

George Herbert Walker Bush approved and signed the Unemployment Compensation Amendments of 1992, which allowed the unemployed to have their coverage extended for 26 weeks, following their original 26 weeks of benefits. In addition, Bush signed the Americans with Disabilities Act. A day prior, the Labor Department stated that the rate of unemployment had reached 7. 8 percent, its highest level since 1984. In 1990 and 1991, Bush raised the minimum wage twice. The increases in minimum wage correlate with higher unemployment and poverty.

During President Bill Clinton's presidency, the unemployment rate was the lowest, inflation rate was the lowest in 30 years, the highest home ownership in the country's history, dropping crime rates in many places, and reduced welfare rolls. He proposed the first balanced budget in decades and achieved a budget surplus. President Bill Clinton pledged during the 1992 election campaign to " end welfare as we know it," but the cost of his visualized program exceeded that of the then-existing system.

In 1995, the Clinton administration strengthened the regulations of the Community Redevelopment Act. The CRA allowed buyers to secure mortgages without any sort of verification of income or assets; there were little consideration of the applicant’s ability to make payments; and no down payment. In January 1996, intense and complex political maneuvering by President Clinton and Republican legislators about federal budget and policy issues was followed by a presidential veto of a welfare-reform bill enacted by Congress. By August 1996, Congress and Clinton agreed to revolutionary legislation abolishing the federal guarantee established six decades earlier to provide subsistence income for poor families with dependent children. Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act. This act charged each state with administering various public assistance programs.

During George W. Bush presidency years, he ushered in a new era of social welfare policy. Bush urged people and communities to help one another as well as themselves. This philosophy became known as “ compassionate conservation.” This philosophy was a reflection of the social welfare principles of colonial America that limited the intervention of the government, personal responsibility, the importance of family values, and the role of the faith community and the private sector in addressing the social welfare needs of the community. President Bush sought to cut tax for every federal income taxpayer, which unprecedented set off 52 straight months of job creations. President Bush modernized Medicare by adding a prescription drug benefit, a reform that provided access to needed medicine for 40 million seniors and other beneficiaries.

Presently as President, Barack Obama has outlined plans to fight poverty and promote economic opportunity for American families. Obama feels that the society should be mobilized not to cut poverty but to prevent poverty.

Obama's plan to reduce poverty in stimulus bill that represents a continuation of a thirty year trends in policies affecting low-income families, targeting benefits through the tax system and not via direct programs. The stimulus bill will provide in-kind assistance over cash; and work supports over aid to non-workers. Obama fully embraces the notion that education is the key to escaping poverty. Obama sought forth new education funding of $54 billion to keep schools open in communities. The majority of the stimulus bill's health and health care spending focuses on insurance coverage, but it also increases spending on research. About 17% of the health stimulus funding will go toward the continuation of health insurance coverage after job losses to help the newly unemployed pay their monthly premiums by covering about 65% of their premiums. Although this stimulus bill is in debate, Obama intends to leave a remarkable and tremendous mark on future social reform policies.

In conclusion, in the United States, poverty is a culture, an institution, and a way of life. Poverty is a personal matter that concerns the poor and the not so poor. The demoralizing effects of the Great Depression caused a worldwide economic crisis that resulted in widespread hunger, poverty, and unemployment. Over a few decades, politicians and others have been sought to define poverty and set forth social welfare policies and acts that help alleviate poverty. Though these policies that have been sought forth have helped the United States, the issues of poverty will remain because the status of the rich and poor can change depending on the choices an individual makes in life. In today's time, the choices that individuals make in life will ultimately determine whether poverty will decease or whether everyone will be doomed by poverty.